# WOODMORE LOCAL SCHOOL DISTRICT
# SANDUSKY COUNTY

## SINGLE AUDIT

## FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
**KEITH FABER**

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**
**JUNE 30, 2018**

## TABLE OF CONTENTS

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**
**JUNE 30, 2018**

**TABLE OF CONTENTS**
**(Continued)**

**INDEPENDENT AUDITOR'S REPORT**

Woodmore Local School District
Sandusky County
349 Rice Street, P.O. Box 701
Elmore, Ohio 43416-0701

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Woodmore Local School District, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

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

***Emphasis of Matter***

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

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Expenditures of Federal Awards 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 March 21, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

March 21, 2019

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

## Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position of governmental activities increased $5,166,233 which represents a 141.75% increase from the 2017 restated net position.

- General revenues accounted for $11,108,512 in revenue or 81.21% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $2,569,827 or 18.79% of total revenues of $13,678,339.

- The District had $8,512,106 in expenses related to governmental activities; $2,569,827 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $11,108,512 were adequate to provide for these programs.

- The District's major governmental funds are the General fund and Bond Retirement fund. The General fund had $11,204,307 in revenues and $11,011,916 in expenditures and other financing uses. During fiscal year 2018, the General fund's fund balance increased $192,391 from a balance of $2,129,544 to $2,321,935.

- The Bond Retirement fund had $722,508 in revenues and $825,890 in expenditures. During fiscal year 2018, the Bond Retirement fund's fund balance decreased $103,382 from a balance of $605,118 to $501,736.

## Using the Basic Financial Statements

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

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

## Reporting the District as a Whole

### *Statement of Net Position and the Statement of Activities*

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

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General fund and Bond Retirement fund.

***Governmental Funds***

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

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Required Supplemental Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net position liability and net OPEB liability.

## The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A of the notes to the basic financial statements.

| | Net Position | |
|---|---|---|
| | Governmental Activities 2018 | Restated Governmental Activities 2017 |
| **Assets** | | |
| Current and other assets | $ 9,515,572 | $ 10,054,733 |
| Capital assets, net | 27,779,223 | 27,923,937 |
| Total assets | 37,294,795 | 37,978,670 |
| **Deferred Outflows of Resources** | | |
| Pension | 3,792,400 | 3,241,619 |
| OPEB | 125,971 | 24,208 |
| Total deferred outflows of resources | 3,918,371 | 3,265,827 |
| **Liabilities** | | |
| Current liabilities | 1,588,349 | 1,889,635 |
| Long-term liabilities: | | |
| Due within one year | 360,722 | 309,303 |
| Due within more than one year: | | |
| Net pension liability | 12,744,624 | 17,985,044 |
| Net OPEB liability | 2,865,652 | 3,648,334 |
| Other amounts | 16,244,115 | 16,247,723 |
| Total liabilities | 33,803,462 | 40,080,039 |
| **Deferred Inflows of Resources** | | |
| Property taxes levied for the next fiscal year | 4,402,931 | 4,394,836 |
| Pension | 1,081,370 | 414,136 |
| OPEB | 403,684 | - |
| Total deferred inflows of resources | 5,887,985 | 4,808,972 |
| **Net Position** | | |
| Net investment in capital assets | 12,475,905 | 12,307,438 |
| Restricted | 885,241 | 1,611,068 |
| Unrestricted (deficit) | (11,839,427) | (17,563,020) |
| Total net position (deficit) | $ 1,521,719 | $ (3,644,514) |

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

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

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

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

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

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

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

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

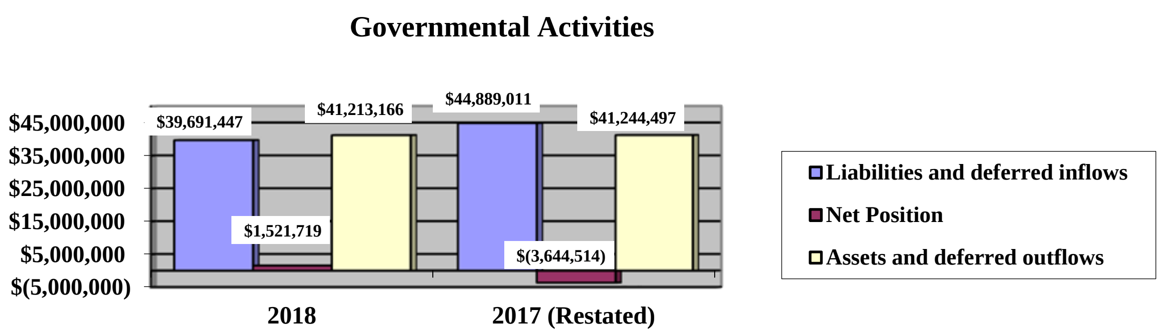
As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a deficit balance of $20,388 to a deficit balance of $3,644,514.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,521,719. Of this total, $885,241 is restricted in use.

At fiscal year-end, capital assets represented 74.49% of total assets. Capital assets included land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2018, was $12,475,905. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, $885,241, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $11,839,427.

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



**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

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

The table below shows the change in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.of the notes to the basic financial statements.

**Change in Net Position**

| | Governmental Activities 2018 | Restated Governmental Activities 2017 |
|---|---|---|
| **Revenues** | | |
| Program revenues: | | |
| Charges for services and sales | $ 1,213,093 | $ 1,020,359 |
| Operating grants and contributions | 1,356,734 | 1,208,150 |
| General revenues: | | |
| Property taxes | 5,468,144 | 5,583,932 |
| Grants and entitlements | 5,452,708 | 5,691,554 |
| Payment in lieu of taxes | 21,000 | 21,000 |
| Investment earnings | 48,377 | 30,630 |
| Miscellaneous | 118,283 | 48,873 |
| Total revenues | 13,678,339 | 13,604,498 |
| **Expenses** | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | 2,864,520 | 5,718,361 |
| Special | 931,910 | 1,396,172 |
| Vocational | 2,510 | 10,062 |
| Other | 918 | 1,437 |
| Support services: | | |
| Pupil | 290,071 | 947,531 |
| Instructional staff | 422,718 | 171,584 |
| Board of education | 145,074 | 109,395 |
| Administration | 466,002 | 1,028,147 |
| Fiscal | 270,098 | 377,868 |
| Operations and maintenance | 1,414,688 | 1,379,996 |
| Pupil transportation | 334,145 | 671,418 |
| Central | - | 203,748 |
| Operation of non instructional services: | | |
| Other non-instructional services | 48,778 | 75,079 |
| Food service operations | 224,734 | 393,475 |
| Extracurricular activities | 203,287 | 458,873 |
| Interest and fiscal charges | 892,653 | 770,240 |
| Total expenses | 8,512,106 | 13,713,386 |
| Special item - refund to the Ohio Facilities Construction Commission | - | (197,660) |
| Change in net position | 5,166,233 | (306,548) |
| Net position (deficit) at beginning of year (restated) | (3,644,514) | N/A |
| Net position (deficit) at end of year | $ 1,521,719 | $ (3,644,514) |

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 $24,208 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $450,442. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

| | |
|---|---|
| Total 2018 program expenses under GASB 75 | $ 8,512,106 |
| Negative OPEB expense under GASB 75 | 450,442 |
| 2018 contractually required contributions | 30,319 |
| Adjusted 2018 program expenses | 8,992,867 |
| Total 2017 program expenses under GASB 45 | 13,713,386 |
| Decrease in program expenses not related to OPEB | $ (4,720,519) |

**Governmental Activities**

Net position of the District's governmental activities increased $5,116,233. Total governmental expenses of $8,512,106 were offset by program revenues of $2,569,827 and general revenues of $11,108,512. Program revenues supported 30.19% of the total governmental expenses.

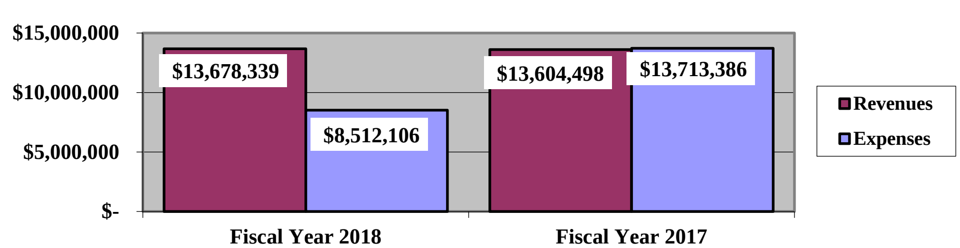
Expenses of the governmental activities decreased $5,201,280 or 37.93%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported ($4,215,839) in pension expense and ($450,442) in OPEB expense mainly due to these benefit changes.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 79.84% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled $3,799,858 or 44.64% of total governmental expenses for fiscal year 2018.

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

**Governmental Activities - Revenues and Expenses**



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

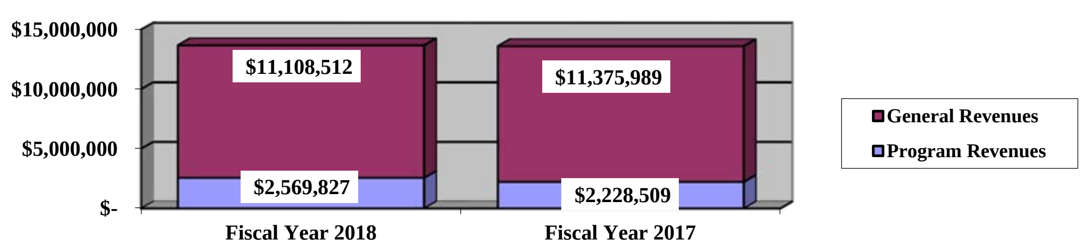
**Governmental Activities**

| | Total Cost of Services 2018 | Net Cost of Services 2018 | Total Cost of Services 2017 | Net Cost of Services 2017 |
|---|---|---|---|---|
| **Program expenses** | | | | |
| Instruction: | | | | |
| Regular | $ 2,864,520 | $ 2,040,387 | $ 5,718,361 | $ 5,087,046 |
| Special | 931,910 | (52,836) | 1,396,172 | 491,256 |
| Vocational | 2,510 | (147,952) | 10,062 | (90,009) |
| Other | 918 | 918 | 1,437 | 1,437 |
| Support services: | | | | |
| Pupil | 290,071 | 258,559 | 947,531 | 895,054 |
| Instructional staff | 422,718 | 388,731 | 171,584 | 158,693 |
| Board of education | 145,074 | 145,074 | 109,395 | 109,395 |
| Administration | 466,002 | 454,452 | 1,028,147 | 1,027,381 |
| Fiscal | 270,098 | 270,098 | 377,868 | 377,868 |
| Operations and maintenance | 1,414,688 | 1,377,941 | 1,379,996 | 1,361,343 |
| Pupil transportation | 334,145 | 316,578 | 671,418 | 652,728 |
| Central | - | - | 203,748 | 201,669 |
| Operations of non-instructional services: | | | | |
| Non-instructional services | 48,778 | (27,442) | 75,079 | 9,842 |
| Food service operations | 224,734 | (31,309) | 393,475 | 134,044 |
| Extracurricular activities | 203,287 | 56,427 | 458,873 | 296,890 |
| Interest and fiscal charges | 892,653 | 892,653 | 770,240 | 770,240 |
| Total expenses | $ 8,512,106 | $ 5,942,279 | $ 13,713,386 | $ 11,484,877 |

The dependence upon tax and other general revenues for governmental activities is apparent; 48.44% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 69.81%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio as a whole, are by far the primary support for District's students.

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

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of $3,530,950, which is less than last year's balance of $3,626,832. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and June 30, 2017.

| | Fund Balance June 30, 2018 | Fund Balance June 30, 2017 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| General | $ 2,321,935 | $ 2,129,544 | $ 192,391 | 9.03 % |
| Bond retirement | 501,736 | 605,118 | (103,382) | (17.08) |
| Other governmental | 707,279 | 892,170 | (184,891) | (20.72) % |
| Total | $ 3,530,950 | $ 3,626,832 | $ (95,882) | (2.64) % |

***General Fund***

The table that follows assists in illustrating the financial activities and fund balance of the General fund.

| | 2018 Amount | 2017 Amount | Increase/ (Decrease) | Percentage Change |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 4,360,676 | $ 4,546,302 | $ (185,626) | (4.08) % |
| Tuition | 682,039 | 536,073 | 145,966 | 27.23 % |
| Earnings on investments | 48,594 | 32,606 | 15,988 | 49.03 % |
| Intergovernmental | 5,717,060 | 5,924,040 | (206,980) | (3.49) % |
| Other revenues | 395,938 | 246,732 | 149,206 | 60.47 % |
| Total | $ 11,204,307 | $ 11,285,753 | $ (81,446) | (0.72) % |
| **Expenditures** | | | | |
| Instruction | $ 6,451,196 | $ 6,056,758 | $ 394,438 | 6.51 % |
| Support services | 4,053,992 | 4,102,848 | (48,856) | (1.19) % |
| Extracurricular activities | 284,379 | 271,546 | 12,833 | 4.73 % |
| Facilities acquisition and construction | 2,300 | 111 | 2,189 | 100.00 % |
| Capital outlay | - | 65,062 | (65,062) | 100.00 % |
| Debt service | 51,642 | 62,445 | (10,803) | (17.30) % |
| Total | $ 10,843,509 | $ 10,558,770 | $ 284,739 | 2.70 % |

Overall revenues of the General fund decreased $81,446 or 0.72%. Earnings on investments increased $15,988 or 49.03% due to interest rates on the investments held by the District in fiscal year 2018. Tuition revenue increased $145,966 or 27.23% due to more open enrollment income. Other revenues increased as a result of increased refunds and reimbursements. All other revenues remained comparable to prior year.

Instruction and support services of the General fund increased $345,582, primarily due to the addition of certified and administrative staff positions during fiscal year 2018. Debt service expenses decreased 10,803 or 17.30% due to a decrease in capital lease principal payments. All other expenditures remained comparable to prior year.

***Bond Retirement Fund***

The Bond Retirement fund had $722,508 in revenues and $825,890 in expenditures. During fiscal year 2018, the Bond Retirement fund's fund balance decreased $103,382 from a balance of $605,118 to $501,736.

***General Fund Budgeting Highlights***

The District's budget is prepared per 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.

For the General fund, original budgeted revenues and other financing sources were $11,137,060 which was the less than final budgeted revenues and other financing sources of $11,274,968. Actual revenues and other financing sources for fiscal year 2018 were $11,372,824. This represents a $97,856 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures) were $10,000,000, while final appropriations and other financing sources totaled $11,391,774. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled $11,165,172, which was $226,602 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018, the District had $27,779,223 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The table shows June 30, 2018 balances compared to the amount of capital assets at June 30, 2017.

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

| | Governmental Activities | |
|---|---|---|
| | 2018 | 2017 |
| Land | $ 174,516 | $ 174,516 |
| Construction in progress | - | 188,559 |
| Land improvements | 88,919 | 65,346 |
| Building and improvements | 26,076,299 | 25,971,179 |
| Furniture and equipment | 1,106,548 | 1,201,011 |
| Vehicles | 332,941 | 323,326 |
| Total | $ 27,779,223 | $ 27,923,937 |

The overall decrease of capital assets is $144,714, due to capital asset deductions of $188,559 being exceeded by additions and depreciation expense of $43,845.

***Debt Administration***

At June 30, 2018, the District had $15,894,245 in capital leases and general obligation bonds outstanding. Of this amount $296,736 is due within one year and $15,597,509 is due within more than one year. The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

| | Governmental Activities 2018 | Governmental Activities 2017 |
|---|---|---|
| Capital lease obligation | $ 81,764 | $ 126,051 |
| General obligation bonds | 15,812,481 | 15,738,872 |
| Total | $ 15,894,245 | $ 15,864,923 |

At June 30, 2018, the District's voted debt margin was $351,231 (including available funds of $501,736).

## Current Financial Related Activities

The District is doing everything possible under the current financial restraints to maintain high standards of service to our students and community. The District continues to monitor its financial future in order to optimize the dollars available for educating the students it serves.

The District has made many budget reductions over the last several years and is continuing to look at all areas to try to save more. The current five-year forecast shows a positive cash balance through fiscal year 2021. Because of this, the district has begun adding back some of the reduced positions. The District is projected to be in a deficit spending situation beginning in fiscal year 2019 and will need to continue to evaluate its financial position as it tries to improve the district while remaining financially viable.

## Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Daniel Russomanno, Treasurer, Woodmore Local School District, 349 Rice Street, P.O. Box 701, Elmore, Ohio 43416-0701.

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2018

| | Governmental Activities |
|---|---|
| **Assets:** | |
| Equity in pooled cash and investments | $ 3,480,891 |
| Receivables: | |
| Property taxes | 5,645,934 |
| Accrued interest | 2,474 |
| Intergovernmental | 308,828 |
| Prepayments | 50,024 |
| Materials and supplies inventory | 24,711 |
| Inventory held for resale | 2,710 |
| Capital assets: | |
| Nondepreciable capital assets | 174,516 |
| Depreciable capital assets, net | 27,604,707 |
| Capital assets, net | 27,779,223 |
| Total assets | 37,294,795 |
| | |
| **Deferred outflows of resources:** | |
| Pension | 3,792,400 |
| OPEB | 125,971 |
| Total deferred outflows of resources | 3,918,371 |
| | |
| Total assets and deferred outflows of resources | 41,213,166 |
| | |
| **Liabilities:** | |
| Accounts payable | 111,694 |
| Accrued wages and benefits payable | 994,963 |
| Intergovernmental payable | 61,427 |
| Pension and postemployment benefits payable | 161,159 |
| Accrued interest payable | 259,106 |
| Long-term liabilities: | |
| Due within one year | 360,722 |
| Due in more than one year: | |
| Net pension liability | 12,744,624 |
| Other amounts due in more than one year | 16,244,115 |
| Net OPEB liability | 2,865,652 |
| Total liabilities | 33,803,462 |
| | |
| **Deferred inflows of resources:** | |
| Property taxes levied for the next fiscal year | 4,402,931 |
| Pension | 1,081,370 |
| OPEB | 403,684 |
| Total deferred inflows of resources | 5,887,985 |
| | |
| Total liabilities and deferred inflows of resources | 39,691,447 |
| | |
| **Net position:** | |
| Net investment in capital assets | 12,475,905 |
| Restricted for: | |
| Capital projects | 344,281 |
| Classroom facilities maintenance | 360,431 |
| Federally funded programs | 150,947 |
| Student activities | 23,153 |
| Other purposes | 6,429 |
| Unrestricted (deficit) | (11,839,427) |
| Total net position | $ 1,521,719 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

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

| | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Instruction: | | | | |
| Regular | $ 2,864,520 | $ 755,076 | $ 69,057 | $ (2,040,387) |
| Special | 931,910 | - | 984,746 | 52,836 |
| Vocational | 2,510 | 138,150 | 12,312 | 147,952 |
| Other | 918 | - | - | (918) |
| Support services: | | | | |
| Pupil | 290,071 | - | 31,512 | (258,559) |
| Instructional staff | 422,718 | - | 33,987 | (388,731) |
| Board of education | 145,074 | - | - | (145,074) |
| Administration | 466,002 | - | 11,550 | (454,452) |
| Fiscal | 270,098 | - | - | (270,098) |
| Operations and maintenance | 1,414,688 | 29,501 | 7,246 | (1,377,941) |
| Pupil transportation | 334,145 | - | 17,567 | (316,578) |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 48,778 | - | 76,220 | 27,442 |
| Food service operations | 224,734 | 144,954 | 111,089 | 31,309 |
| Extracurricular activities | 203,287 | 145,412 | 1,448 | (56,427) |
| Interest and fiscal charges | 892,653 | - | - | (892,653) |
| Total governmental activities | $ 8,512,106 | $ 1,213,093 | $ 1,356,734 | (5,942,279) |
| **General revenues:** | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | 4,372,672 |
| Debt service | | | | 639,126 |
| Capital outlay | | | | 396,833 |
| Special revenue | | | | 59,513 |
| Payments in lieu of taxes | | | | 21,000 |
| Grants and entitlements not restricted to specific programs | | | | 5,452,708 |
| Investment earnings | | | | 48,377 |
| Miscellaneous | | | | 118,283 |
| Total general revenues | | | | 11,108,512 |
| Change in net position | | | | 5,166,233 |
| **Net position (deficit) at beginning of year (restated)** | | | | (3,644,514) |
| **Net position at end of year** | | | | $ 1,521,719 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

| | General | Bond Retirement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets:** | | | | |
| Equity in pooled cash | | | | |
| and investments | $ 2,455,258 | $ 377,958 | $ 647,675 | $ 3,480,891 |
| Receivables: | | | | |
| Property taxes | 4,550,367 | 635,702 | 459,865 | 5,645,934 |
| Accrued interest | 2,474 | - | - | 2,474 |
| Interfund loans | 15,370 | - | 54,630 | 70,000 |
| Intergovernmental | 56,849 | - | 251,979 | 308,828 |
| Prepayments | 49,312 | - | 712 | 50,024 |
| Materials and supplies inventory | 22,014 | - | 2,697 | 24,711 |
| Inventory held for resale | - | - | 2,710 | 2,710 |
| Due from other funds | 34,799 | - | - | 34,799 |
| Total assets | $ 7,186,443 | $ 1,013,660 | $ 1,420,268 | $ 9,620,371 |
| **Liabilities:** | | | | |
| Accounts payable | $ 46,630 | $ - | $ 65,064 | $ 111,694 |
| Accrued wages and benefits payable | 915,600 | - | 79,363 | 994,963 |
| Compensated absences payable | 9,175 | - | - | 9,175 |
| Intergovernmental payable | 59,759 | - | 1,668 | 61,427 |
| Pension and postemployment benefits payable | 137,504 | - | 23,655 | 161,159 |
| Interfund loans payable | - | - | 70,000 | 70,000 |
| Due to other funds | - | - | 34,799 | 34,799 |
| Total liabilities | 1,168,668 | - | 274,549 | 1,443,217 |
| **Deferred inflows of resources:** | | | | |
| Property taxes levied for the next fiscal year | 3,549,476 | 495,506 | 357,949 | 4,402,931 |
| Delinquent property tax revenue not available | 117,214 | 16,418 | 11,936 | 145,568 |
| Intergovernmental revenue not available | 28,361 | - | 68,555 | 96,916 |
| Accrued interest not available | 789 | - | - | 789 |
| Total deferred inflows of resources | 3,695,840 | 511,924 | 438,440 | 4,646,204 |
| Total liabilities and deferred inflows of resources | 4,864,508 | 511,924 | 712,989 | 6,089,421 |
| **Fund balances:** | | | | |
| Nonspendable: | | | | |
| Materials and supplies inventory | 22,014 | - | 2,697 | 24,711 |
| Prepaids | 49,312 | - | 712 | 50,024 |
| Restricted: | | | | |
| Debt service | - | 501,736 | - | 501,736 |
| Capital improvements | - | - | 334,063 | 334,063 |
| Classroom facilities maintenance | - | - | 358,713 | 358,713 |
| Migrant program | - | - | 102,432 | 102,432 |
| Targeted academic assistance | - | - | 5,995 | 5,995 |
| Other purposes | 6,429 | - | - | 6,429 |
| Extracurricular activities | - | - | 23,153 | 23,153 |
| Assigned: | | | | |
| Student instruction | 207 | - | - | 207 |
| Student and staff support | 114,748 | - | - | 114,748 |
| Subsequent year's appropriations | 373,352 | - | - | 373,352 |
| School supplies | 3,107 | - | - | 3,107 |
| Unassigned (deficit) | 1,752,766 | - | (120,486) | 1,632,280 |
| Total fund balances | 2,321,935 | 501,736 | 707,279 | 3,530,950 |
| Total liabilities, deferred inflows of resources and fund balances | $ 7,186,443 | $ 1,013,660 | $ 1,420,268 | $ 9,620,371 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

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

| | | |
|---|---|---|
| **Total governmental fund balances** | | $ 3,530,950 |
| *Amounts reported for governmental activities on 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. | | 27,779,223 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | |
| Property taxes receivable | $ 145,568 | |
| Accrued interest receivable | 789 | |
| Intergovernmental receivable | 96,916 | |
| Total | | 243,273 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (259,106) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred outflows of resources - pension | 3,792,400 | |
| Deferred inflows of resources - pension | (1,081,370) | |
| Net pension liability | (12,744,624) | |
| Total | | (10,033,594) |
| The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred outflows of resources - OPEB | 125,971 | |
| Deferred inflows of resources - OPEB | (403,684) | |
| Net OPEB liability | (2,865,652) | |
| Total | | (3,143,365) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| General obligation bonds | (15,812,481) | |
| Capital lease obligations | (81,764) | |
| Compensated absences | (701,417) | |
| Total | | (16,595,662) |
| **Net position of governmental activities** | | $ 1,521,719 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

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

| | General | Bond Retirement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues:** | | | | |
| From local sources: | | | | |
| Property taxes | $ 4,360,676 | $ 638,473 | $ 455,130 | $ 5,454,279 |
| Tuition | 682,039 | - | 725 | 682,764 |
| Earnings on investments | 48,594 | - | - | 48,594 |
| Charges for services | - | - | 144,817 | 144,817 |
| Extracurricular | 36,967 | - | 108,445 | 145,412 |
| Classroom materials and fees | 73,037 | - | - | 73,037 |
| Rental income | 29,501 | - | - | 29,501 |
| Contributions and donations | 12,805 | - | 68,415 | 81,220 |
| Contract services | 138,150 | - | - | 138,150 |
| Other local revenues | 105,478 | - | 137 | 105,615 |
| Intergovernmental - intermediate | 21,000 | - | - | 21,000 |
| Intergovernmental - state | 5,696,060 | 84,035 | 118,313 | 5,898,408 |
| Intergovernmental - federal | - | - | 990,006 | 990,006 |
| Total revenues | 11,204,307 | 722,508 | 1,885,988 | 13,812,803 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,273,239 | - | 115,353 | 5,388,592 |
| Special | 1,173,149 | - | 625,728 | 1,798,877 |
| Other | 4,808 | - | - | 4,808 |
| Support services: | | | | |
| Pupil | 719,104 | - | 29,891 | 748,995 |
| Instructional staff | 498,241 | - | 32,431 | 530,672 |
| Board of education | 149,971 | - | - | 149,971 |
| Administration | 843,812 | - | 11,208 | 855,020 |
| Fiscal | 385,891 | 12,952 | 9,779 | 408,622 |
| Operations and maintenance | 970,958 | - | 338,990 | 1,309,948 |
| Pupil transportation | 486,015 | - | 91,139 | 577,154 |
| Operation of non-instructional services: | | | | |
| Other operation of non-instructional | - | - | 69,845 | 69,845 |
| Food service operations | - | - | 302,408 | 302,408 |
| Extracurricular activities | 284,379 | - | 141,573 | 425,952 |
| Facilities acquisition and construction | 2,300 | - | 470,941 | 473,241 |
| Debt service: | | | | |
| Principal retirement | 44,287 | 80,335 | - | 124,622 |
| Interest and fiscal charges | 7,355 | 562,938 | - | 570,293 |
| Accretion on capital appreciation bonds | - | 169,665 | - | 169,665 |
| Total expenditures | 10,843,509 | 825,890 | 2,239,286 | 13,908,685 |
| Excess (deficiency) of revenues over (under) expenditures | 360,798 | (103,382) | (353,298) | (95,882) |
| **Other financing sources (uses):** | | | | |
| Transfers in | - | - | 168,407 | 168,407 |
| Transfers (out) | (168,407) | - | - | (168,407) |
| Total other financing sources (uses) | (168,407) | - | 168,407 | - |
| Net change in fund balances | 192,391 | (103,382) | (184,891) | (95,882) |
| **Fund balances at beginning of year** | 2,129,544 | 605,118 | 892,170 | 3,626,832 |
| **Fund balances at end of year** | $ 2,321,935 | $ 501,736 | $ 707,279 | $ 3,530,950 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

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** | | $ (95,882) |
| *Amounts reported for governmental activities in the statement of activities are different because:* | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital asset additions | $ 719,209 | |
| Current year depreciation | (863,923) | |
| Total | | (144,714) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | 13,865 | |
| Earnings on investments | (217) | |
| Intergovernmental | (146,948) | |
| Total | | (133,300) |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | |
| General obligations bonds - current interest | 15,000 | |
| Capital appreciation bonds | 65,335 | |
| Accreted interest on capital appreciation bonds | 169,665 | |
| Capital leases | 44,287 | |
| Total | | 294,287 |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | 908,128 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | 4,215,839 |
| Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | 30,319 |
| Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as an OPEB expense in the statement of activities. | | 450,442 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities. | | |
| Decrease in accrued interest payable | 1,249 | |
| Accreted interest on capital appreciation bonds | (323,609) | |
| Total | | (322,360) |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | (36,526) |
| **Change in net position of governmental activities** | | $ 5,166,233 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | |
| **Revenues:** | | | | |
| From local sources: | | | | |
| Property taxes | $ 4,321,216 | $ 4,364,477 | $ 4,357,747 | $ (6,730) |
| Tuition | 553,196 | 560,857 | 682,039 | 121,182 |
| Earnings on investments | 30,218 | 30,966 | 56,524 | 25,558 |
| Extracurricular | 25,182 | 25,422 | 24,677 | (745) |
| Classroom materials and fees | 63,156 | 63,948 | 90,703 | 26,755 |
| Rental income | 12,087 | 12,504 | 29,501 | 16,997 |
| Contributions and donations | - | 219 | 12,805 | 12,586 |
| Contract services | 105,764 | 107,361 | 138,150 | 30,789 |
| Other local revenues | 90,756 | 91,561 | 67,823 | (23,738) |
| Intergovernmental - intermediate | 21,153 | 21,359 | 21,000 | (359) |
| Intergovernmental - state | 5,790,832 | 5,846,794 | 5,722,008 | (124,786) |
| Total revenues | 11,013,560 | 11,125,468 | 11,202,977 | 77,509 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,806,404 | 5,478,170 | 5,302,011 | 176,159 |
| Special | 976,438 | 1,061,371 | 1,098,770 | (37,399) |
| Vocational | 6,799 | 3,480 | - | 3,480 |
| Other | 4,448 | 5,005 | 5,006 | (1) |
| Support services: | | | | |
| Pupil | 670,527 | 747,625 | 753,996 | (6,371) |
| Instructional staff | 570,277 | 638,406 | 590,386 | 48,020 |
| Board of education | 153,627 | 174,431 | 158,985 | 15,446 |
| Administration | 740,918 | 861,914 | 824,587 | 37,327 |
| Fiscal | 345,194 | 385,771 | 387,405 | (1,634) |
| Operations and maintenance | 956,294 | 1,006,297 | 1,029,873 | (23,576) |
| Pupil transportation | 461,985 | 504,220 | 509,822 | (5,602) |
| Central | 43,133 | 47,756 | 24,147 | 23,609 |
| Extracurricular activities | 261,912 | 291,886 | 294,742 | (2,856) |
| Facilities acquisition and construction | 2,044 | 2,300 | 2,300 | - |
| Total expenditures | 10,000,000 | 11,208,632 | 10,982,030 | 226,602 |
| Excess (deficiency) of revenues over (under) expenditures | 1,013,560 | (83,164) | 220,947 | 304,111 |
| **Other financing sources (uses):** | | | | |
| Refund of prior year expenditures | - | 26,000 | 46,347 | 20,347 |
| Transfers (out) | - | (167,772) | (167,772) | - |
| Advances in | 123,500 | 123,500 | 123,500 | - |
| Advances (out) | - | (15,370) | (15,370) | - |
| Total other financing sources (uses) | 123,500 | (33,642) | (13,295) | 20,347 |
| Net change in fund balance | 1,137,060 | (116,806) | 207,652 | 324,458 |
| **Fund balance at beginning of year** | 1,943,166 | 1,943,166 | 1,943,166 | - |
| **Prior year encumbrances appropriated** | 156,774 | 156,774 | 156,774 | - |
| **Fund balance at end of year** | $ 3,237,000 | $ 1,983,134 | $ 2,307,592 | $ 324,458 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

| | Private-Purpose Trust | |
|---|---|---|
| | **Scholarship** | **Agency** |
| **Assets:** | | |
| Equity in pooled cash and investments . . . . . . . . . . . . . . . | $ 79,057 | $ 81,848 |
| **Liabilities:** | | |
| Due to students. . . . . . . . . . . . . . . . | - | $ 81,753 |
| Intergovernmental payable . . . . . . . . . . | - | 95 |
| Total liabilities . . . . . . . . . . . . | - | $ 81,848 |
| **Net position:** | | |
| Held in trust for scholarships . . . . . . . . . | 79,057 | |
| Total net position. . . . . . . . . . . . . . . | $ 79,057 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Private-Purpose Trust |
|---|---|
| | **Scholarship** |
| **Additions:** | |
| Gifts and contributions. . . . . . . . . . . . | $ 2,480 |
| **Deductions:** | |
| Scholarships awarded . . . . . . . . . . . . | 2,480 |
| Change in net position . . . . . . . . . . . | - |
| **Net position at beginning of year. . . . .** | 79,057 |
| **Net position at end of year . . . . . . . .** | $ 79,057 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1968. The District serves an area of approximately sixty-seven square miles. It is located in Sandusky and Ottawa Counties and includes all of the Village of Woodville and the Village of Elmore. It is staffed by 48 classified employees, 74 certified teaching personnel and 15 administrative employees who provide services to 1,100 students and other community members. The District currently operates an elementary/middle school and a high school.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Reporting Entity

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northern Ohio Educational Computer Association
The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-eight school districts. The jointly governed organization was formed for the purpose of

applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating school districts are located. During fiscal year 2018, the District paid $20,645 to NOECA for services. Financial information can be obtained by contacting Matt Bauer, who serves as controller, at 4918 Milan Road, Sandusky, Ohio 44870.

Northwestern Ohio Educational Research Council, Inc.
The research council is a jointly governed organization which serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. During fiscal year 2018, the District paid no fees to the Council.

Bay Area Council of Governments (BACG)
The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. Financial information is available from the North Point Educational Service Center (fiscal agent), at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Penta Career Center
Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio operated under the direction of a nine member Board of Education consisting of a representative from the participating school districts' elected Boards. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg and Rossford; one representative from each of the three least populous counties: Fulton, Ottawa, and Sandusky; and one representative from each of the most populous counties: Lucas and Wood. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from Carrie Herringshaw, who serves as Treasurer, 9301 Buck Road, Perrysburg, Ohio 43551-4594.

*INSURANCE PURCHASING POOLS*

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

The San-Ott School Employees Welfare Benefit Association (the Association)
The District participates in a shared risk pool, with participants from Sandusky and Ottawa counties. The Association is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly exercises control over the operation of the

consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to San-Ott Consortium, Joy Cooper, Treasurer of Put-in-Bay Local School District, 811 South Jefferson Street, Port Clinton, Ohio 43452.

Schools of Ohio Risk Sharing Authority (SORSA)
The District participates in the Schools of Ohio Risk Sharing Authority (SORSA) which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-profit Corporations and functioning under the authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. Willis Pooling administers the pool and Fran Gates Service Company manages the claims. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

*RELATED ORGANIZATION*

Harris-Elmore Public Library
The Harris-Elmore Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Woodmore Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from Georgia Huizenga, who serves as Clerk/Treasurer, 328 Toledo Street, Elmore, Ohio 43416.

## B. Fund Accounting

The 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. There are three categories of funds: 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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

*Bond Retirement fund* - The Bond Retirement fund provides for the retirement of serial bonds and short term notes and loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds, notes, or loans, shall be paid into this fund.

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, classroom materials and fees and other local revenues.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 13 and 14 for deferred outflows of resources related to the District's net pension liability and net OPEB liability, respectively.

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

For the District, see Notes 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the fiscal year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2018 is as follows:

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

2. By no later than January 20, the Board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination. The Sandusky County Commissioners waived this requirement for 2018.

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2018.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.

5. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

6. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. However, the District elected to budget these temporary resources anyway.

7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2018; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

9. Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the legal level of budgetary control.

**F. Cash and Investments**

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

During fiscal year 2018, investments were limited to U.S. Government agency notes, U.S. Government agency discount notes, negotiable certificates of deposit, commercial paper, money market accounts and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in U.S. Government agency notes, U.S. Government agency discount notes and commercial paper are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as certificates of deposit, are reported at cost.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the General fund during fiscal year 2018 amounted to $48,594, which includes $18,477 assigned from other funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. 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 deductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. During fiscal year 2018, the District maintained a capitalization threshold of $1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

| Description | Governmental Activities Estimated Lives |
|---|---|
| Land improvements | 5 -20 years |
| Buildings and improvements | 10 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 10 - 15 years |

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivable/payable" and "due to/from other funds".

These amounts are eliminated in the governmental activities column on the statement of net position.

### J. Compensated Absences

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

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

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

### K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases and general obligation bonds are recognized as a liability on the fund financial statements when due.

### L. Fund Balance

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

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

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

**M. Net Position**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the fiscal year in which services are consumed.

At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

### O. Nonpublic Schools

Within the boundaries of the District, Solomon Lutheran is operated through the District as a parochial school. State Legislation provides funding to this parochial school. The District receives the money and then disburses the money as directed by the parochial school. These transactions are reported in a nonmajor governmental fund of the District.

### P. Estimates

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

### Q. Interfund Activity

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

### R. Pensions/Other Postemployment Benefits (OPEB)

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

### S. Fair Value

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

### T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District did not have any extraordinary or special items during fiscal year 2018.

## NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

### A. Change in Accounting Principles/Restatement of Net Position

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

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 14 to the basic financial statements, and added required supplementary information which is presented at the end of the report.

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

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

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

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

| | Governmental Activities |
|---|---|
| Net position as previously reported | $ (20,388) |
| Deferred outflows - payments subsequent to measurement date | 24,208 |
| Net OPEB liability | (3,648,334) |
| Restated net position at July 1, 2017 | $ (3,644,514) |

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

**B. Deficit Fund Balances**

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

| Nonmajor funds | Deficit |
|---|---|
| Food service | $ 2,454 |
| Special trust | 24,995 |
| Auxiliary services | 7,715 |
| Miscellaneous state funds | 370 |
| IDEA Part B | 21,574 |
| Title I | 5,339 |
| Building | 54,630 |

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

**C. Compliance**

Contrary to Ohio Rev. Code § 5705.10(I), the Food Service fund had negative fund balance at months ending September 30, 2017, December 31, 2017 and March 31, 2018, in the amounts of $128,919. $133,187, and $147,498, respectively.

## NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

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

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

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

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

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At June 30, 2018, the District had $95 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all District deposits was $270,237. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, $87,655 of the District's bank balance of $337,665 was exposed to custodial risk as discussed below, while $250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District's 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 (2) 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. For 2018, the District's financial institutions were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

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

| | | Investment Maturities | | |
|---|---|---|---|---|
| Measurement/ Investment type | Measurement Value | 6 months or less | 13 to 18 months | Greater Than 24 months |
| *Amortized cost:* | | | | |
| STAR Ohio | $ 939,488 | $ 939,488 | $ - | $ - |
| *Fair Value:* | | | | |
| FHLB | 319,574 | - | 319,574 | - |
| FNMA | 155,763 | - | | 155,763 |
| Negotiable CD's | 338,661 | 178,687 | | 159,974 |
| Commercial Paper | 1,609,970 | 1,609,970 | | - |
| Money Market Funds | 8,008 | 8,008 | | - |
| Total | $ 3,371,464 | $ 2,736,153 | $ 319,574 | $ 315,737 |

The weighted average maturity of investments is 0.54 years.

The District's investments in U.S. government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs).

The District's investments in U.S. Government agency notes, U.S. Government agency discount notes, negotiable certificates of deposit and commercial paper are valued using quoted market prices that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in commercial paper and U.S. Government agency discount notes were rated A-1 and P-1 by Standard & Poor's and Moody's Investor Services, respectively the District's investments in U.S. Government agency notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The money market funds were not rated. The negotiable certificates of deposit are fully covered by the FDIC and were not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

| Measurement/ Investment type | Measurement Value | % of Total |
|---|---|---|
| *Amortized cost:* | | |
| STAR Ohio | $ 939,488 | 27.87% |
| *Fair value:* | | |
| FHLB | 319,574 | 9.48% |
| FNMA | 155,763 | 4.62% |
| Negotiable CD's | 338,661 | 10.04% |
| Commercial Paper | 1,609,970 | 47.75% |
| Money Market Funds | 8,008 | 0.24% |
| Total | $ 3,371,464 | 100.00% |

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

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

| | |
|---|---|
| Cash and investments per note | |
| Carrying amount of deposits | $ 270,237 |
| Investments | 3,371,464 |
| Cash on hand | 95 |
| Total | $ 3,641,796 |
| Cash and investments per statement of net position | |
| Governmental activities | $ 3,480,891 |
| Private-purpose trust fund | 79,057 |
| Agency fund | 81,848 |
| Total | $ 3,641,796 |

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund balances at June 30, 2018, as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

| Receivable fund | Payable funds | Amount |
|---|---|---|
| General | Nonmajor governmental funds | $ 15,370 |
| Nonmajor governmental funds | Nonmajor governmental funds | 54,630 |
| Total | | $ 70,000 |

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

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

**B.** Due to/from other funds at June 30, 2018 as reported on the fund statements, consisted of the following:

| Receivable fund | Payable funds | Amount |
|---|---|---|
| General | Nonmajor governmental funds | $ 34,799 |

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

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

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

| | Amount |
|---|---|
| Transfers from the General fund to: | |
| Nonmajor governmental fund | $ 168,407 |

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

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

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

The District receives property taxes from Sandusky and Ottawa Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was $883,677 in the General fund, $123,778 in the Bond Retirement fund, $77,032 in the Permanent Improvement fund (a nonmajor governmental fund) and $12,948 in the Classroom Facilities Maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2017 was $880,748 in the General fund, $131,964 in the Bond Retirement fund, $71,439 in the Permanent Improvement fund (a nonmajor governmental fund) and $18,301 in the Classroom Facilities Maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

| | 2017 Second Half Collections | | 2018 First Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Agricultural/residential and other real estate | $ 159,201,370 | 95.52 | $ 159,646,900 | 95.34 |
| Public utility personal | 7,462,430 | 4.48 | 7,809,200 | 4.66 |
| Total | $ 166,663,800 | 100.00 | $ 167,456,100 | 100.00 |
| Tax rate per $1,000 of assessed valuation | $51.40 | | $53.00 | |

## NOTE 7 - RECEIVABLES

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

| | |
|---|---|
| **Governmental activities:** | |
| Property taxes | $ 5,645,934 |
| Accrued interest | 2,474 |
| Intergovernmental | 308,828 |
| Total | $ 5,957,236 |

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

## NOTE 8 - CAPITAL ASSETS

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

| | Balance 06/30/17 | Additions | Deductions | Balance 06/30/18 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| *Capital assets, not being depreciated:* | | | | |
| Land | $ 174,516 | $ - | $ - | $ 174,516 |
| Construction in progress | 188,559 | - | (188,559) | - |
| Total capital assets, not being depreciated | 363,075 | - | (188,559) | 174,516 |
| *Capital assets, being depreciated:* | | | | |
| Land improvements | 482,789 | 38,633 | - | 521,422 |
| Buildings and improvements | 32,594,139 | 786,212 | - | 33,380,351 |
| Furniture and equipment | 2,729,022 | - | - | 2,729,022 |
| Vehicles | 1,057,231 | 82,923 | (73,288) | 1,066,866 |
| Total capital assets, being depreciated: | 36,863,181 | 907,768 | (73,288) | 37,697,661 |
| *Less: accumulated depreciation* | | | | |
| Land improvements | (417,443) | (15,060) | - | (432,503) |
| Buildings and improvements | (6,622,960) | (681,092) | - | (7,304,052) |
| Furniture and equipment | (1,528,011) | (94,463) | - | (1,622,474) |
| Vehicles | (733,905) | (73,308) | 73,288 | (733,925) |
| Total accumulated depreciation | (9,302,319) | (863,923) | 73,288 | (10,092,954) |
| Governmental activities capital assets, net | $ 27,923,937 | $ 43,845 | $ (188,559) | $ 27,779,223 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| Instruction: | |
| Regular | $ 198,289 |
| Special | 932 |
| Vocational | 4,291 |
| Support services: | |
| Pupil | 6,621 |
| Instructional staff | 10,773 |
| Board of education | 5,028 |
| Administration | 43,663 |
| Fiscal | 1,456 |
| Operations and maintenance | 453,740 |
| Pupil transportation | 83,580 |
| Extracurricular activities | 15,614 |
| Food service operations | 39,936 |
| Total depreciation expense | $ 863,923 |

## NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capitalized leases for copiers and computer equipment. These lease agreements met the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Copier equipment and Dell computers acquired by lease has been originally capitalized in the amount of $232,918 and 163,436 respectively, which represents the present value of the future minimum lease payments at the time of acquisition. A liability of $81,764 at June 30, 2018 has been recorded in the statement of net position. Accumulated depreciation as of June 30, 2018 was $187,374, leaving a current book value of $208,980. Principal and interest payments in fiscal year 2018 totaled $44,287 and $7,355, respectively, paid by the General fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2018:

| Fiscal Year Ending June 30, | Amount |
|---|---|
| 2019 | $ 51,641 |
| 2020 | 15,988 |
| 2021 | 15,988 |
| 2022 | 6,662 |
| Total minimum lease payments | 90,279 |
| Less: Amount representing interest | (8,515) |
| Total | $ 81,764 |

## NOTE 10 – LONG-TERM OBLIGATIONS

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

| Governmental activities: | Restated Balance 06/30/17 | Increases | Decreases | Balance 06/30/18 | Amount Due in One Year |
|---|---|---|---|---|---|
| General obligation bonds | | | | | |
| Series 2012 A - Facilities and School Improvement | | | | | |
| Term bonds | $ 13,245,000 | $ - | $ - | $ 13,245,000 | $ - |
| Capital appreciation bonds | 201,889 | - | (65,335) | 136,554 | 51,458 |
| Accreted interest | 436,983 | 323,609 | (169,665) | 590,927 | 183,542 |
| Series 2012 B - Facilities and School Improvement | | | | | |
| Current interest bonds | 45,000 | - | (15,000) | 30,000 | 15,000 |
| Term bonds | 1,810,000 | - | - | 1,810,000 | - |
| Total General obligation bonds | 15,738,872 | 323,609 | (250,000) | 15,812,481 | 250,000 |
| Capital lease obligation | 126,051 | - | (44,287) | 81,764 | 46,736 |
| Net pension liability | 17,985,044 | - | (5,240,420) | 12,744,624 | - |
| Net OPEB liability | 3,648,334 | - | (782,682) | 2,865,652 | - |
| Compensated absences | 692,103 | 83,063 | (64,574) | 710,592 | 63,986 |
| Total | $ 38,190,404 | $ 406,672 | $ (6,381,963) | $ 32,215,113 | $ 360,722 |

Capital lease obligations: Capital lease obligations will be paid from the General fund.

Net pension liability: See note 13 for detail on the net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB liability: See note 14 for detail on the net OPEB liability. The District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated absences: Compensated absences will be paid from the fund from which the employee is paid, which for the District, is primarily the General fund and the Food Service fund (a nonmajor governmental fund).

General Obligation Classroom Facilities and School Improvement Bonds - Series 2012: On August 22, 2012, the District issued series 2012 general obligation classroom facilities and school improvement bonds (Series 2012) to provide long-term financing of constructing, adding to, renovating, remodeling, furnishing, equipping and otherwise improving District buildings and facilities, including, constructing, furnishing and equipping a new elementary/middle school as may be required for participation in the State of Ohio Exceptional Needs School Facilities Assistance Program, and acquiring, improving, clearing and equipping the sites thereof. The issuance and the sale of the District's $15,709,822 general obligation classroom facilities and school improvement bonds consisted of $13,499,834 classroom facilities and school improvement series 2012A unlimited tax bonds and $2,209,988 classroom facilities and school improvement series 2012B unlimited tax bonds.

The Series 2012A bond issue is comprised of both current interest bonds (consisting of $30,000 of serial bonds and ten term bonds ranging from $150,000 to $3,345,000) and six capital appreciation bonds, in the amount of $22,945, $65,335, $51,458, $43,115, $33,957 and $8,024. The interest rate on the current interest serial bonds is 2.000% and the term bonds ranged from 2.750% to 4.000%. The bonds were issued for a thirty eight year period, with final maturity during fiscal year 2050. The bonds will be retired through the bond retirement fund. The six capital appreciation bonds mature January 15, 2017 through January 15, 2022 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. All six capital appreciation bonds bear an approximate compounding interest rate of 25.360%. The accreted value at maturity for the six capital appreciation bonds is $65,000, $235,000, $235,000, $250,000, $250,000 and $75,000. Total accreted interest of $590,927 has been included in the statement of net position at June 30, 2018.

The Series 2012B bond issue is comprised of both current interest bonds (consisting of $280,000 of serial bonds and four term bonds ranging from $200,000 to $995,000) and two capital appreciation bonds, in the amount of $74,506 and $45,482. The interest rate on the current interest serial bonds ranges from 2.000% to 2.125% and the term bonds range from 3.625% to 4.250%. The bonds were issued for a thirty eight year period, with final maturity during fiscal year 2050. The bonds will be retired through the bond retirement fund. The two capital appreciation bonds matured January 15, 2015 and January 15, 2016 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. Both capital appreciation bonds bear an approximate compounding interest rate of 23.160%.

Interest payments on the serial and term current interest bonds are due on July 15 and January 15 of each year. The final maturity stated in both of the issues is January 15, 2050.

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The following is a summary of the District's future debt service requirements to maturity for the series 2012 general obligation refunding bonds:

| Fiscal Year Ending June 30, | Current Interest Term Bonds - Series 2012A Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ - | $ 488,163 | $ 488,163 |
| 2020 | - | 488,162 | 488,162 |
| 2021 | - | 488,163 | 488,163 |
| 2022 | 175,000 | 488,163 | 663,163 |
| 2023 | 265,000 | 483,288 | 748,288 |
| 2024 - 2028 | 1,495,000 | 2,295,558 | 3,790,558 |
| 2029 - 2033 | 1,840,000 | 2,037,608 | 3,877,608 |
| 2034 - 2038 | 2,230,000 | 1,678,625 | 3,908,625 |
| 2039 - 2043 | 2,675,000 | 1,228,625 | 3,903,625 |
| 2044 - 2048 | 3,185,000 | 665,400 | 3,850,400 |
| 2049 - 2050 | 1,380,000 | 83,000 | 1,463,000 |
| Total | $ 13,245,000 | $ 10,424,755 | $ 23,669,755 |

| Fiscal Year | Capital Appreciation Bonds - Series 2012A | | | Total - Series 2012A | | |
|---|---|---|---|---|---|---|
| Ending June 30, | Principal | Interest | Total | Principal | Interest | Total |
| 2019 | $ 51,458 | $ 183,542 | $ 235,000 | $ 51,458 | $ 671,705 | $ 723,163 |
| 2020 | 43,115 | 206,885 | 250,000 | 43,115 | 695,047 | 738,162 |
| 2021 | 33,957 | 216,043 | 250,000 | 33,957 | 704,206 | 738,163 |
| 2022 | 8,024 | 66,976 | 75,000 | 183,024 | 555,139 | 738,163 |
| 2023 | - | - | - | 265,000 | 483,288 | 748,288 |
| 2024 - 2028 | - | - | - | 1,495,000 | 2,295,558 | 3,790,558 |
| 2029 - 2033 | - | - | - | 1,840,000 | 2,037,608 | 3,877,608 |
| 2034 - 2038 | - | - | - | 2,230,000 | 1,678,625 | 3,908,625 |
| 2039 - 2043 | - | - | - | 2,675,000 | 1,228,625 | 3,903,625 |
| 2044 - 2048 | - | - | - | 3,185,000 | 665,400 | 3,850,400 |
| 2049 - 2050 | - | - | - | 1,380,000 | 83,000 | 1,463,000 |
| Total | $ 136,554 | $ 673,446 | $ 810,000 | $ 13,381,554 | $ 11,098,201 | $ 24,479,755 |

| Fiscal Year | Current Interest Serial Bonds - Series 2012B | | | Current Interest Term Bonds -Series 2012B | | |
|---|---|---|---|---|---|---|
| Ending June 30, | Principal | Interest | Total | Principal | Interest | Total |
| 2019 | $ 15,000 | $ 74,625 | $ 89,625 | $ - | $ - | $ - |
| 2020 | 15,000 | 74,325 | 89,325 | - | - | - |
| 2021 | - | - | - | 15,000 | 74,006 | 89,006 |
| 2022 | - | - | - | 15,000 | 73,463 | 88,463 |
| 2023 | - | - | - | 15,000 | 72,919 | 87,919 |
| 2024 - 2028 | - | - | - | 95,000 | 355,168 | 450,168 |
| 2029 - 2033 | - | - | - | 125,000 | 336,501 | 461,501 |
| 2034 - 2038 | - | - | - | 235,000 | 305,637 | 540,637 |
| 2039 - 2043 | - | - | - | 405,000 | 244,038 | 649,038 |
| 2044 - 2048 | - | - | - | 620,000 | 141,951 | 761,951 |
| 2049 - 2050 | - | - | - | 285,000 | 18,275 | 303,275 |
| Total | $ 30,000 | $ 148,950 | $ 178,950 | $ 1,810,000 | $ 1,621,958 | $ 3,431,958 |

| Fiscal Year | Total - Series 2012B | | |
|---|---|---|---|
| Ending June 30, | Principal | Interest | Total |
| 2019 | $ 15,000 | $ 74,625 | $ 89,625 |
| 2020 | 15,000 | 74,325 | 89,325 |
| 2021 | 15,000 | 74,006 | 89,006 |
| 2022 | 15,000 | 73,463 | 88,463 |
| 2023 | 15,000 | 72,919 | 87,919 |
| 2024 - 2028 | 95,000 | 355,168 | 450,168 |
| 2029 - 2033 | 125,000 | 336,501 | 461,501 |
| 2034 - 2038 | 235,000 | 305,637 | 540,637 |
| 2039 - 2043 | 405,000 | 244,038 | 649,038 |
| 2044 - 2048 | 620,000 | 141,951 | 761,951 |
| 2049 - 2050 | 285,000 | 18,275 | 303,275 |
| Total | $ 1,840,000 | $ 1,770,908 | $ 3,610,908 |

### B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of $351,231 (including available funds of $501,736) and an unvoted debt margin of $167,456.

## NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five 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.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of three hundred days for certified and classified employees. Upon retirement, payment is made for 25 percent of accumulated unused sick leave credit to a maximum of 75.0 days for all employees.

## NOTE 12 - RISK MANAGEMENT

### A. Comprehensive

The District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Schools of Ohio Risk Sharing Authority, Inc. (See Note 2.A.) for the following insurance coverage:

| Coverage provided by Schools of Ohio Risk Sharing (SORSA) is as follows: | |
|---|---|
| Building and Contents/Boiler and Machinery - blanket coverage building and premises, 90% coinsurance with $0 deductible | $47,828,870 |
| Inland Marine - Electronic Data Processing Equipment | 1,250,000 |
| Inland Marine - Musical Equipment, electronics, uniforms | 1,000,000 |
| Inland Marine - Mobile Equipment | 10,700 |
| Automobile Liability ($0 deductible per person/accident) | 15,000,000 |
| Medical Payments - per person | 10,000 |
| per accident | 25,000 |

| Coverage provided by Schools of Ohio Risk Sharing (SORSA) is as follows: | |
|---|---|
| General School District Liability | |
| Per occurrence | $15,000,000 |
| General Aggregate Liability | 17,000,000 |
| Educators Legal Liability (per occurrence) | 15,000,000 |
| Educators Legal Liability (aggregate) | 15,000,000 |

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

### B. Medical/Dental Insurance

The District participates in the San-Ott School Employees Welfare Benefit Association (the Association), a public entity shared risk pool consisting of eight local school districts (See Note 2.A). The District pays monthly premiums to the Association for employee medical and dental insurance benefits. The Association is responsible for the management and operation of the program. Upon withdrawal from the Association, a participant is responsible for the payment of all liabilities to its employees, dependents and designated beneficiaries accruing as a result of withdrawal.

Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Life insurance and accidental death and dismemberment insurance are provided through One America Insurance Company.

### C. Workers' Compensation Plan

The District participates in a Group Rating Plan (the Plan) through Sheakley UniComp, an insurance purchasing pool (See Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to districts that can meet the Plan's selection criteria. The firm of Sheakley Uniservice provides administrative, cost control and actuarial services to the Plan.

## NOTE 13 - DEFINED BENEFIT PENSION PLANS

***Net Pension Liability***

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

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District's contractually required contribution to SERS was $196,173 for fiscal year 2018. Of this amount, $14,575 is reported as pension and postemployment benefits payable.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

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

The District's contractually required contribution to STRS was $711,955 for fiscal year 2018. Of this amount, $120,835 is reported as pension and postemployment benefits payable.

***Net Pension Liability***

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net pension liability prior measurement date | 0.04508040% | 0.04387288% | |
| Proportion of the net pension liability current measurement date | 0.04445290% | 0.04246925% | |
| Change in proportionate share | -0.00062750% | -0.00140363% | |
| Proportionate share of the net pension liability | $ 2,655,963 | $ 10,088,661 | $ 12,744,624 |
| Pension expense | $ (123,575) | $ (4,092,264) | $ (4,215,839) |

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred outflows of resources** | | | |
| Differences between expected and actual experience | $ 114,304 | $ 389,578 | $ 503,882 |
| Changes of assumptions | 137,342 | 2,206,501 | 2,343,843 |
| Difference between District contributions and proportionate share of contributions/ change in proportionate share | 12,461 | 24,086 | 36,547 |
| District contributions subsequent to the measurement date | 196,173 | 711,955 | 908,128 |
| Total deferred outflows of resources | $ 460,280 | $ 3,332,120 | $ 3,792,400 |

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred inflows of resources** | | | |
| Differences between expected and actual experience | $ - | $ 81,310 | $ 81,310 |
| Net difference between projected and actual earnings on pension plan investments | 12,606 | 332,937 | 345,543 |
| Difference between District contributions and proportionate share of contributions/ change in proportionate share | 79,450 | 575,067 | 654,517 |
| Total deferred inflows of resources | $ 92,056 | $ 989,314 | $ 1,081,370 |

$908,128 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2019 | $ 78,547 | $ 257,230 | $ 335,777 |
| 2020 | 129,071 | 710,139 | 839,210 |
| 2021 | 26,346 | 569,910 | 596,256 |
| 2022 | (61,913) | 93,572 | 31,659 |
| Total | $ 172,051 | $ 1,630,851 | $ 1,802,902 |

***Actuarial Assumptions - SERS***

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

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

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

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

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

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

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 3,685,786 | $ 2,655,963 | $ 1,793,276 |

***Actuarial Assumptions - STRS Ohio***

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

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

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

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

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

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

| Asset Class | Target Allocation | Long Term Expected Real 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 geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 14,461,753 | $ 10,088,661 | $ 6,404,987 |

## NOTE 14 - DEFINED BENEFIT OPEB PLANS

***Net OPEB Liability***

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

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

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

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

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was $23,053.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $30,319 for fiscal year 2018. Of this amount, $23,593 is reported as pension and postemployment benefits payable.

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

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

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

***Net OPEB Liability***

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net OPEB liability prior measurement date | 0.04567831% | 0.04387288% | |
| Proportion of the net OPEB liability current measurement date | 0.04503640% | 0.04246925% | |
| Change in proportionate share | -0.00064191% | -0.00140363% | |
| Proportionate share of the net OPEB liability | $ 1,208,659 | $ 1,656,993 | $ 2,865,652 |
| OPEB expense | $ 65,908 | $ (516,350) | $ (450,442) |

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred outflows of resources** | | | |
| Differences between expected and actual experience | $ - | $ 95,652 | $ 95,652 |
| measurement date | 30,319 | - | 30,319 |
| Total deferred outflows of resources | $ 30,319 | $ 95,652 | $ 125,971 |

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred inflows of resources** | | | |
| Net difference between projected and actual earnings on pension plan investments | $ 3,192 | $ 70,824 | $ 74,016 |
| Changes of assumptions | 114,696 | 133,476 | 248,172 |
| Difference between District contributions and proportionate share of contributions/ change in proportionate share | 17,154 | 64,342 | 81,496 |
| Total deferred inflows of resources | $ 135,042 | $ 268,642 | $ 403,684 |

$30,319 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2019 | $ (48,569) | $ (34,734) | $ (83,303) |
| 2020 | (48,569) | (34,734) | (83,303) |
| 2021 | (37,106) | (34,734) | (71,840) |
| 2022 | (798) | (34,734) | (35,532) |
| 2023 | - | (17,028) | (17,028) |
| Thereafter | - | (17,026) | (17,026) |
| Total | $ (135,042) | $ (172,990) | $ (308,032) |

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

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

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

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

| | 1% Decrease (2.63%) | Current Discount Rate (3.63%) | 1% Increase (4.63%) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 1,459,609 | $ 1,208,659 | $ 1,009,842 |

| | 1% Decrease (6.5 % decreasing to 4.0 %) | Current Trend Rate (7.5 % decreasing to 5.0 %) | 1% Increase (8.5 % decreasing to 6.0 %) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 980,736 | $ 1,208,659 | $ 1,510,318 |

***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.

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

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

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

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 2,224,487 | $ 1,656,993 | $ 1,208,488 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 1,151,208 | $ 1,656,993 | $ 2,322,666 |

## NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

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

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to restricted, assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

(e) Some funds are included in the General fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

| | General fund |
|---|---|
| Budget basis | $ 207,652 |
| Net adjustment for revenue accruals | (30,950) |
| Net adjustment for expenditure accruals | (63,195) |
| Net adjustment for other sources/uses | (147,112) |
| Funds budgeted elsewhere | 41,861 |
| Adjustment for encumbrances | 184,135 |
| GAAP basis | $ 192,391 |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. This includes the Uniform School Supplies fund, the Special Rotary fund, the Public School Support fund and the District agency fund.

## NOTE 16 - CONTINGENCIES

### A. Grants

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

### B. Litigation

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

### C. Foundation Funding

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 are a total receivable of $4,452 for the District.

## NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain General fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

| | Capital Improvements |
|---|---|
| Set-aside balance June 30, 2017 | $ - |
| Current year set-aside requirement | 181,784 |
| Current year offsets | (443,479) |
| Total | $ (261,695) |
| Balance carried forward to fiscal year 2019 | $ - |
| Set-aside balance June 30, 2018 | $ - |

## NOTE 18 - OTHER COMMITMENTS

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

| Fund | Year-End Encumbrances |
|---|---|
| General | $ 109,406 |
| Other governmental | 247,527 |
| Total | $ 356,933 |

## NOTE 19 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Ottawa County provides tax abatements through Enterprise Zones (Ezone). Ezone - Under the authority of ORC Sections 5709.631 and 5709.632, the Ezone program is an economic development tool administered by a board of township trustees and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the director of the Ohio Department of Development. The director must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the Agreement) with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The Ezone agreement entered into by Ottawa County and Harris Township affects the property tax receipts collected and distributed to the District. There was an Ezone agreement with Materion Corp, Brush Wellman, Inc. / Cleveland Cuyahoga County Port Authority that affected the District. Under the agreement, the District property taxes were reduced by $49,194.

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**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.04445290% | 0.04508040% | 0.04661290% | 0.04571300% | 0.04571300% |
| District's proportionate share of the net pension liability | $ 2,655,963 | $ 3,299,469 | $ 2,659,777 | $ 2,313,509 | $ 2,718,405 |
| District's covered payroll | $ 1,279,621 | $ 1,570,557 | $ 1,403,293 | $ 1,328,319 | $ 1,349,263 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 207.56% | 210.08% | 189.54% | 174.17% | 201.47% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.04246925% | 0.04387288% | 0.04372665% | 0.04588709% | 0.04588709% |
| District's proportionate share of the net pension liability | $ 10,088,661 | $ 14,685,575 | $ 12,084,767 | $ 11,161,328 | $ 13,295,301 |
| District's covered payroll | $ 4,694,914 | $ 4,606,729 | $ 4,610,079 | $ 4,688,392 | $ 4,827,954 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 214.88% | 318.79% | 262.14% | 238.06% | 275.38% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ 196,173 | $ 179,147 | $ 219,878 | $ 184,954 |
| Contributions in relation to the contractually required contribution | (196,173) | (179,147) | (219,878) | (184,954) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 1,453,133 | $ 1,279,621 | $ 1,570,557 | $ 1,403,293 |
| Contributions as a percentage of covered payroll | 13.50% | 14.00% | 14.00% | 13.18% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| $ 184,105 | $ 186,738 | $ 170,932 | $ 168,516 | $ 166,370 | $ 117,164 |
| (184,105) | (186,738) | (170,932) | (168,516) | (166,370) | (117,164) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 1,328,319 | $ 1,349,263 | $ 1,270,870 | $ 1,340,621 | $ 1,228,730 | $ 1,190,691 |
| 13.86% | 13.84% | 13.45% | 12.57% | 13.54% | 9.84% |

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ 711,955 | $ 657,288 | $ 644,942 | $ 645,411 |
| Contributions in relation to the contractually required contribution | (711,955) | (657,288) | (644,942) | (645,411) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 5,085,393 | $ 4,694,914 | $ 4,606,729 | $ 4,610,079 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| | $ 609,491 | $ 627,634 | $ 599,112 | $ 620,161 | $ 585,407 | $ 588,045 |
| | (609,491) | (627,634) | (599,112) | (620,161) | (585,407) | (588,045) |
| | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 4,688,392 | $ 4,827,954 | $ 4,608,554 | $ 4,770,469 | $ 4,503,131 | $ 4,523,423 |
| | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

| | 2018 | 2017 |
|---|---|---|
| District's proportion of the net OPEB liability | 0.04503640% | 0.04567831% |
| District's proportionate share of the net OPEB liability | $ 1,208,659 | $ 1,302,001 |
| District's covered payroll | $ 1,279,621 | $ 1,570,557 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 94.45% | 82.90% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 12.46% | 11.49% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

| | **2018** | **2017** |
|---|---|---|
| District's proportion of the net OPEB liability | 0.04246925% | 0.04387288% |
| District's proportionate share of the net OPEB liability | $ 1,656,993 | $ 2,346,333 |
| District's covered payroll | $ 4,694,914 | $ 4,606,729 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 35.29% | 50.93% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 47.10% | 37.30% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ 30,319 | $ 24,208 | $ 23,089 | $ 33,912 |
| Contributions in relation to the contractually required contribution | (30,319) | (24,208) | (23,089) | (33,912) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 1,453,133 | $ 1,279,621 | $ 1,570,557 | $ 1,403,293 |
| Contributions as a percentage of covered payroll | 2.09% | 1.89% | 1.47% | 2.42% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| | $ 21,181 | $ 20,529 | $ 25,823 | $ 43,447 | $ 29,387 | $ 67,235 |
| | (21,181) | (20,529) | (25,823) | (43,447) | (29,387) | (67,235) |
| | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 1,328,319 | $ 1,349,263 | $ 1,270,870 | $ 1,340,621 | $ 1,228,730 | $ 1,190,691 |
| | 1.59% | 1.52% | 2.03% | 3.24% | 2.39% | 5.65% |

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 5,085,393 | $ 4,694,914 | $ 4,606,729 | $ 4,610,079 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| $ 48,426 | $ 48,280 | $ 46,086 | $ 47,705 | $ 45,031 | $ 45,234 |
| (48,426) | (48,280) | (46,086) | (47,705) | (45,031) | (45,234) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 4,688,392 | $ 4,827,954 | $ 4,608,554 | $ 4,770,469 | $ 4,503,131 | $ 4,523,423 |
| 1.03% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

PENSION

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

(Continued)

## OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

### *STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

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

| **FEDERAL GRANTOR**<br>***Pass Through Grantor***<br>**Program / Cluster Title** | **Federal CFDA Number** | **Total Federal Expenditures** |
|---|---|---|
| **UNITED STATES DEPARTMENT OF AGRICULTURE** | | |
| ***Passed Through Ohio Department of Education*** | | |
| Child Nutrition Cluster: | | |
| National School Lunch Program | | |
| Non-Cash Assistance (Food Distribution) | 10.555 | $ 21,465 |
| Cash Assistance | 10.555 | 82,655 |
| Total National School Lunch Program | | 104,120 |
| School Breakfast Program | 10.553 | 10,832 |
| Summer Food Program For Children | 10.559 | 4,633 |
| Total U.S. Department of Agriculture - Child Nutrition Cluster | | 119,585 |
| **UNITED STATES DEPARTMENT OF EDUCATION** | | |
| ***Passed Through Ohio Department of Education*** | | |
| Title I Grants to Local Educational Agencies | 84.010 | 110,299 |
| Migrant Education State Grant Program | 84.011 | 285,484 |
| Special Education Cluster (IDEA): | | |
| Special Education - Grants to States | 84.027 | 323,239 |
| Special Education - Preschool Grants | 84.173 | 8,233 |
| Total Special Education Cluster (IDEA) | | 331,472 |
| Improving Teacher Quality State Grants | 84.367 | 29,622 |
| Student Support and Academic Enrichment Program | 84.424 | 1,365 |
| Total U.S. Department of Education | | 758,242 |
| **Total Expenditures of Federal Awards** | | **$ 877,827** |

*The accompanying notes are an integral part of this schedule.*

**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY COUNTY**

**NOTES TO THE SCHEDULE OF 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 Expenditures of Federal Awards (the Schedule) includes the federal award activity of Woodmore Local School District, Sandusky County, Ohio (the 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 District, it is not intended to and does not present the financial position or changes in net position of the District.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

## NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## NOTE D – CHILD NUTRITION CLUSTER

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

## NOTE E – FOOD DONATION PROGRAM

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

## NOTE F – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The District transferred the following amounts from 2018 to 2019 programs:

| Program Title | CFDA Number | Amount Transferred |
|---|---|---|
| Improving Teacher Quality State Grants | 84.367 | $ 7,149 |
| Student Support and Academic Enrichment Program | 84.424 | $ 8,635 |
| Special Education - Grants to States | 84.027 | $ 160 |
| Special Education - Preschool Grants | 84.173 | $ 2,362 |

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

Woodmore Local School District
Sandusky County
349 Rice Street, P.O. Box 701
Elmore, Ohio 43416-0701

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Woodmore Local School District, Sandusky County, Ohio, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 21, 2019, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

### *Compliance and Other Matters*

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

### *District's Response to Findings*

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### *Purpose of this Report*

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

Keith Faber
Auditor of State

Columbus, Ohio

March 21, 2019

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

Woodmore Local School District
Sandusky County
349 Rice Street, P.O. Box 701
Elmore, Ohio 43416-0701

To the Board of Education:

***Report on Compliance for Each Major Federal Program***

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in finding 2018-004 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management and reporting applicable to its Child Nutrition Cluster major federal program. Compliance with these requirements are necessary, in our opinion, for the District to comply with requirements applicable to this program.

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, Woodmore Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Child Nutrition Cluster* for the year ended June 30, 2018.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, Woodmore Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2018.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2017-003. Our opinion on each major federal program is not modified with respect to this matter.

The District's responses to our noncompliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

***Report on Internal Control Over Compliance***

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses**,** described in the accompanying schedule of findings as items 2018-003 through 2018-005.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

March 21, 2019

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**WOODMORE LOCAL SCHOOL DISTRICT**
**SANDUSKY 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)?** | Yes |
| ***(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)?** | Yes |
| ***(d)(1)(iv)*** | **Were there any material weaknesses in internal control reported for major federal programs?** | Yes |
| ***(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 for all major programs except for Child Nutrition Cluster, which we qualified |
| ***(d)(1)(vi)*** | **Are there any reportable findings under 2 CFR § 200.516(a)?** | Yes |
| ***(d)(1)(vii)*** | **Major Programs (list):** | Child Nutrition Cluster<br>Special Education Cluster |
| ***(d)(1)(viii)*** | **Dollar Threshold: Type A\B Programs** | Type A: > $ 750,000<br>Type B: all others |
| ***(d)(1)(ix)*** | **Low Risk Auditee under 2 CFR §200.520?** | No |

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

**FINDING NUMBER 2018-001**

**Material Weakness**

**Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Errors were noted in the financial statements, resulting in the following audit adjustments:

- The original Certificate of Estimated Resources was not used for the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund, resulting in original revenues being understated by $53,560.
- Temporary Appropriations intended to fund the entire year were not used for the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund, resulting in original expenditures being overstated by $891,774.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these and other errors.

Additional errors were noted in smaller relative amounts that did not require adjustment to the financial statements.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and Board, to identify and correct errors and omissions.

**Officials' Response:**

See corrective action plan.

**FINDING NUMBER 2018-002**

**Noncompliance**

**Ohio Rev. Code § 5705.10(I)** requires that money paid into any fund shall be used only for the purposes for which such fund is established. Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The Food Service fund had deficit fund balances as noted below:

| | Deficit Amount |
|---|---|
| September 30, 2017 | $ 128,919 |
| December 31, 2017 | 133,187 |
| March 31, 2018 | 147,498 |

Additional deficit balances were noted in smaller relative amounts.

This noncompliance was due to inadequate policies and procedures over the monitoring of fund balances. Negative fund balances could result in the use of restricted receipts for unallowable purposes. Procedures and controls, such as the Management and/or Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The District should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

**Officials' Response:**

See corrective action plan.

## 3. FINDINGS FOR FEDERAL AWARDS

**Schedule of Expenditures of Federal Awards**

| | | | |
|---|---|---|---|
| **Finding Number** | 2018-003 | | |
| **CFDA Title and Number** | Child Nutrition Cluster: School Breakfast Program – CFDA #10.553, National School Lunch Program – CFDA #10.555, and Summer Food Program for Children – CFDA #10.559 | | |
| **Federal Award Identification Number / Year** | 2017 and 2018 | | |
| **Federal Agency** | U.S. Department of Agriculture | | |
| **Compliance Requirement** | Other | | |
| **Pass-Through Entity** | Ohio Department of Education | | |
| **Repeat Finding from Prior Audit?** | No | **Finding Number? (if repeat)** | N/A |

**Noncompliance and Material Weakness**

**2 CFR Subpart F § 200.510(b**) requires that the auditee prepare a Schedule of Expenditures of Federal Awards (the Schedule) for the period covered by the District's financial statements which must include the total federal awards expended as determined in accordance with § 200.502.

At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency.
(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
(4) Include the total amount provided to subrecipients from each Federal program.
(5) For loan or loan guarantee programs described in §_200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period.
(6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee has elected to use the 10 percent de minimis cost rate as covered in §_200.414 Indirect (F&A) costs.

The District did prepare its Schedule of Expenditures of Federal Awards based on information from their records. However, the following misstatements were noted:

- Nutrition Cluster Summer Food Program CFDA #10.559, in the amount of $4,633 was included with the National School Lunch Program CFDA #10.555.
- Nutrition Cluster School Breakfast Program CFDA #10.553, in the amount of $10,832 was included with the National School Lunch Program CFDA #10.555.

Errors and omissions to the Schedule of Expenditures of Federal Awards could have an adverse effect on future grant awards by the awarding agency or agencies in addition to an inaccurate assessment of major federal programs that would be subjected to audit. Adjustments, to which management have agreed, are reflected in the accompanying Schedule.

District management should review all grant awards and be familiar with federal reporting requirements. The District should implement a system to track all federal expenditures and related information separately from other expenditures and report federal expenditures with proper support including, but not limited to, grant agreements, calculation of the expenditures, and any federal reporting requirements. This will help ensure the Schedule is complete and accurate and major federal programs are correctly identified for audit.

**Officials' Response:**

See corrective action plan.

**Site Claim Forms**

| | | | |
|---|---|---|---|
| **Finding Number** | 2018-004 | | |
| **CFDA Title and Number** | Child Nutrition Cluster: School Breakfast Program – CFDA #10.553, National School Lunch Program – CFDA #10.555, and Summer Food Program for Children – CFDA #10.559 | | |
| **Federal Award Identification Number / Year** | 2017 and 2018 | | |
| **Federal Agency** | U.S. Department of Agriculture | | |
| **Compliance Requirement** | Cash Management / Reporting | | |
| **Pass-Through Entity** | Ohio Department of Education | | |
| **Repeat Finding from Prior Audit?** | No | **Finding Number? (if repeat)** | N/A |

**Noncompliance and Material Weakness**

**7 CFR §§ 210.7(c), 210.8(c), and 225.9(d))** provide at a minimum, a claim must include the number of reimbursable meals/milk served by category and type during the period (generally a month) covered by the claim. All meals claimed for reimbursement must (a) be of types authorized by the school food authority's, institution's, or sponsor's administering agency; (b) be served to eligible children; and (c) be supported by accurate meal counts and records indicating the number of meals served by category and type.

**2 CFR § 400.1** gives regulatory effect to the Department of Agriculture for 2 CFR § 200.303 which requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 2 CFR § 200.514(c) requires auditors to obtain an understanding of the non-Federal district's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs, and, unless internal control is likely to be ineffective, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program and perform testing of internal control as planned.

Eleven percent of the site claim form submissions were incorrectly calculated resulting in an unsubstantiated reimbursement of $305.90. This error occurred due to a weakness in internal controls, which failed to ensure site claim forms for reimbursable meals served at each building and submitted by the District to the Ohio Department of Education were entered correctly.

The District should implement policies and procedures to help ensure that monthly site claim forms for all District buildings are reviewed and submitted to reflect actual counts for reimbursable meals served.

**Officials' Response:**

See corrective action plan.

**Food Service Disbursement Controls**

| | | | |
|---|---|---|---|
| **Finding Number** | 2018-005 | | |
| **CFDA Title and Number** | Child Nutrition Cluster: School Breakfast Program – CFDA #10.553, National School Lunch Program – CFDA #10.555, and Summer Food Program for Children – CFDA #10.559 | | |
| **Federal Award Identification Number / Year** | 2017 and 2018 | | |
| **Federal Agency** | U.S. Department of Agriculture | | |
| **Compliance Requirement** | Other | | |
| **Pass-Through Entity** | Ohio Department of Education | | |
| **Repeat Finding from Prior Audit?** | No | **Finding Number? (if repeat)** | N/A |

**Material Weakness**

Requisitions are to be completed and signed to initiate the processing of a disbursement. For the Food Service fund, none of the food service expenditures have an approved requisition signed prior to a purchase order being created. Furthermore, purchase orders prepared for the Food Service fund are signed through an automated process. Therefore, purchases are not reviewed and approved by someone other than the Food Service Director.

The lack of controls over the use of requisitions decreases the reliability of approved expenditures and can result in undetected errors and irregularities. The District should implement controls to help ensure all transactions are reviewed and approved prior to purchase.

**Officials' Response:**

See corrective action plan.

# Woodmore Local School District

349 Rice Street, P.O. Box 701
Elmore, Ohio 43416
Phone (419) 862-1060 / Fax (419) 862-1951

**BOARD OFFICE**
***TIM RETTIG***
*Superintendent*

***DAN RUSSOMANNO***
*Treasurer*

**WOODMORE ELEMENTARY**
***GARY HAAS,*** *Principal (PreK-5)*
*Preschool Director*
*800 West Main Street*
*Woodville, Ohio 43469*
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**WOODMORE MIDDLE SCHOOL**
***KEVIN BALL,*** *Principal (6-8)*
*Special Education Director*
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**WOODMORE HIGH SCHOOL**
***NOLAN WICKARD,*** *Principal*
*Testing Coordinator*
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*Elmore, Ohio 43416*
*Phone (419) 862-2721*
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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
## 2 CFR 200.511(b)
## JUNE 30, 2018

| Finding Number | Finding Summary | Status | Additional Information |
|---|---|---|---|
| 2017-001 | Finding was first reported during the audit of the 2015 financial statements. Material weakness due to errors in financial statement presentation. | Not corrected. Repeated in this report as finding 2018-001. | The recurrence occurred due to the Treasurer providing the IPA performing the GAAP audit with the incorrect Original Certificate of Estimated Resources and the incorrect Appropriations. The Treasurer was unaware that Temporary Appropriations set at greater than 50% are considered the original Appropriations for the current fiscal year. The corrective action will be to provide the IPA performing the GAAP audit with the correct certificates in the future. |
| 2017-002 | Ohio. Rev. Code § 9.38 for timely deposits. | Fully corrected. | |

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**CORRECTIVE ACTION PLAN**
**2 CFR § 200.511(c)**
**JUNE 30, 2018**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|---|---|---|---|
| 2018-001 | The Treasurer will provide the IPA performing the GAAP audit with the correct Original Certificate of Estimated Resources and the correct Original Appropriations. | July, 2019 | Dan Russomanno, Treasurer |
| 2018-002 | The Treasurer will have the Board approve advances when appropriate to eliminate deficit fund balances. | February, 2019 | Dan Russomanno, Treasurer |
| 2018-003 | The Treasurer will separate the Summer Food Program CFDA #10.559 and School Breakfast Program CFDA #10.553 from the National School Lunch Program CFDA #10.555 when creating the Schedule of Expenditures of Federal Awards. | July, 2019 | Dan Russomanno, Treasurer |
| 2018-004 | The Treasurer's office will review all monthly site claim forms submitted by the Food Service Director for accuracy and make any necessary corrections. | July, 2019 | Dan Russomanno. Treasurer |
| 2018-005 | For all purchase orders processed, the Superintendent and Treasurer will either sign original requisition forms, review and initial purchase orders processed and signed through an automated process or review and sign a detailed requisition list prior to the requisitions being converted into purchase orders. | February, 2019 | Dan Russomanno, Treasurer |

**WOODMORE LOCAL SCHOOL DISTRICT**

**SANDUSKY 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 28, 2019**