GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

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INDEPENDENT AUDITOR'S REPORT

Geneva Area City School District
Ashtabula County
135 South Eagle Street
Geneva, Ohio 44041

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Districts 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 Geneva Area City School District, Ashtabula County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards 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 January 26, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

January 26, 2018

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As management of the Geneva Area City School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- General revenues accounted for $22.0 million in revenue or 81% of all governmental revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $5.2 million or 19% of total governmental revenues of $27.2 million.
- The School District had $29.4 million in expenses related to governmental activities; but nearly $5.2 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and grants and entitlements not restricted to specific programs) of $22.0 million were not adequate to provide for these programs, resulting in a decrease in net position of $2,197,410 or 7.0%.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of about $8.0 million, a decrease of $1,279,747 from the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District basic financial statements comprise four components: (1) government-wide statements, (2) fund financial statements, (3) notes to the basic financial statements and (4) required supplementary information.

Government-wide Financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The School District's statement of activities prepared on an accrual basis of accounting includes an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows. The School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in the statement of net position.

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the School District include instruction, supporting service, operation of non-instructional services, extracurricular activities, and interest and fiscal charges. The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The School District, like the state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary fund and fiduciary funds.

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

The basic fund financial statements can be found on pages 17-21 of this report.

Proprietary Fund The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. More specifically, the internal service fund accounts for self insurance of their employee's dental plan. The proprietary fund uses the accrual basis of accounting. The proprietary fund financial statements can be found on pages 22-24 of this report

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 25-26 of this report.

Notes to the 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. The notes to the basic financial statements can be found starting on page 27 of this report.

Government-wide Financial Analysis

Recall that the statement of net position provides the perspective of the School District as a whole. A comparative analysis is presented below.

Net Position

	Governmental Activities	
	2017	2016
Assets:		
Current and other assets	$ 20,168,517	$ 21,986,283
Capital assets	64,935,454	65,802,584
Total assets	85,103,971	87,788,867
Deferred outflows of resources:		
Pension	6,665,077	3,014,653
Liabilities:		
Current liabilities	2,799,555	2,960,156
Long-term liabilities:		
Due within one year	1,158,456	1,165,943
Due in more than one year:		
Net pension liability	37,322,918	30,674,257
Other amounts due in more than one year	15,092,479	15,741,415
Total liabilities	56,373,408	50,541,771
Deferred inflows of resources:		
Property taxes	6,106,193	6,810,598
Pension	251,101	2,215,395
Total deferred inflows of resources	6,357,294	9,025,993
Net Position:		
Net investment in capital assets	50,385,454	51,013,655
Restricted net position	5,888,443	6,102,402
Unrestricted net position	(27,235,551)	(25,880,301)
Total net position	$ 29,038,346	$ 31,235,756

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. During fiscal year 2017, the School District had a decrease in net position of $2,197,410.

A portion of the School District's net position, $50 million, reflects its investment in capital assets (e.g., land, buildings and improvements, land improvements, furniture, fixtures and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the School District's net position, $5.9 million, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, $2.2 million, or 37.4%, is restricted for debt service payments; $2.9 million, or 49.3%, is restricted for capital projects; and $0.8 million or 13.3%, is restricted for other purposes. The remaining significant balance of government-wide unrestricted net position happens to be a deficit balance of $(27.2) million.

The table below shows the change in net position for fiscal years 2017 and 2016.

Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services and sales	$ 2,371,215	$ 2,462,156
Operating grants and contributions	2,855,745	2,936,417
General revenues:		
Property taxes	9,412,744	8,263,746
Grants and entitlements	12,502,815	12,531,921
Investment earnings	32,207	149,563
Miscellaneous	7,969	10,253
Total revenues	27,182,695	26,354,056

(Continued)

Changes in Net Position
(Continued)

	Governmental Activities	
	2017	2016
Expenses		
Instruction:		
Regular	11,851,074	10,589,795
Special	4,351,365	3,735,752
Vocational	255,046	182,747
Other	1,459,200	1,370,475
Support services:		
Pupils	1,457,958	1,216,238
Instructional staff	359,096	299,279
Board of education	19,863	21,991
Administration	1,987,079	1,757,122
Fiscal	621,384	599,741
Business	49,393	19,309
Operation and maintenance of plant	2,883,835	2,768,270
Pupil transportation	1,444,976	1,309,813
Central	68,167	41,943
Operation of non-instructional services:		
Food service operations	1,309,696	1,279,645
Community services	21,873	30,326
Extracurricular activities	776,950	699,144
Intergovernmental - (OSFC refund)	-	1,013,116
Fiscal and interest charges	463,150	548,743
Total expenses	29,380,105	27,483,449
Decrease in net position	(2,197,410)	(1,129,393)
Net position at beginning of year	31,235,756	32,365,149
Net position at end of year	$ 29,038,346	$ 31,235,756

Governmental Activities

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated approximately $9.4 million in 2017. General revenues from grants and entitlements, such as the school foundation program, generated over $12.5 million. With the combination of taxes and intergovernmental funding 80.6% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of the above table reflects the total cost of instructional services was $17,916,685 or 61.0% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. These expenses increased $2,037,916, or 12.8% as compared to the prior year.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent $1,817,054, or 6.2% of the total governmental program expenses. Expenses to provide these programs increased $301,537 or 19.9%, as compared to fiscal year 2016.

Board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost to provide these programs was $2,677,719, or 9.1% of governmental program expenses. Costs of these programs increased $279,556, or 11.7%, as compared to the prior year.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was $2,883,835, or 9.8% of the governmental program expenses. These expenses increased $115,565, or 4.2% as compared to fiscal year 2016. Expenses of this program increased as costs associated with building maintenance and non-capital related building and construction costs increased.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was $1,444,976 or 4.9% of the total governmental program expenses. Expenses for providing this program increased $135,163, or 10.3% as compared to the prior year. The primary cause of this increase was not due to any specific activity but from a fairly consistent budget.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services.

In a prior fiscal year, the School District implemented the accounting standard for pension. As a result of implementing the accounting standard, the School District is reporting a significant net pension liability, related deferred inflows of resources and an increase in expenses related to pension for the fiscal year which have a negative effect on net position. In addition, the School District is reporting deferred outflows of resources, which have a positive impact on net position. The increase in pension expense is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. These two amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of this accounting standard on the School District's net position, additional information is presented below.

	2017	2016
Deferred outflows - pension	$ 6,665,077	$ 3,014,653
Deferred inflows - pension	(251,101)	(2,215,395)
Net pension liability	(37,322,918)	(30,674,257)
Impact of GASB 68 on net position	$ (30,908,942)	$ (29,874,999)

Financial Analysis of the Government's Funds

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were $26,931,132 and total expenditures and other financing uses were $28,210,879. The net change in fund balance was significant in the building fund and permanent improvement fund with decreases of $449,335 and $683,317 respectively. These decreases are attributed to a construction project that included a bus/maintenance garage addition to the School District's Operations Center and renovations to the Operations Center during the fiscal year.

Fund Balances

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Increase/ (Decrease)	Percent Change
General	$ 2,642,295	$ 3,030,158	$ (387,863)	(12.80%)
Bond retirement	1,799,749	1,658,814	140,935	8.50%
Permanent improvement	636,454	1,319,771	(683,317)	(51.78%)
Building	2,197,561	2,646,896	(449,335)	(16.98%)
Other governmental	682,030	582,197	99,833	17.15%
Total	$ 7,958,089	$ 9,237,836	$ (1,279,747)	

The School District's general fund revenues increased $904,887 and expenditures increased $1,040,918 from 2016. The most significant change for revenues was an increase of $1,018,561 in taxes from a prior year accrual adjustment. The increase in property tax is due to varying amounts available as an advance each year that is recognized as revenue. Total expenditures increased mainly in the area of instruction.

Change in Financial Activities for the General Fund

	2017 Amount	2016 Amount	Increase/ (Decrease)	Percent Change
Revenues				
Taxes	$ 7,357,617	$ 6,339,056	1,018,561	16.07%
Intergovernmental	12,741,532	12,685,110	56,422	0.44%
Interest	21,330	126,238	(104,908)	(83.10%)
Tuition and fees	1,806,141	1,865,139	(58,998)	(3.16%)
Extracurricular activities	84,124	89,063	(4,939)	(5.55%)
Gifts and donations	882	1,504	(622)	(41.36%)
Customer sales and service	1,525	1,351	174	12.88%
Rent	7,079	6,220	859	13.81%
Miscellaneous	7,087	8,749	(1,662)	(19.00%)
Total	$ 22,027,317	$ 21,122,430	$ 904,887	
Expenditures:				
Instruction	$ 14,508,753	$ 13,744,574	$ 764,179	5.56%
Support services	7,311,441	7,063,928	247,513	3.50%
Non-instructional services	29,997	27,901	2,096	7.51%
Extracurricural activities	467,294	443,156	24,138	5.45%
Capital outlay	16,086	13,094	2,992	22.85%
Total	$ 22,333,571	$ 21,292,653	$ 1,040,918	

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2017, the School District amended its general fund budget as expenditure priorities changed according to student, building and operational needs. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue and other financing source estimate was $21,601,027, representing a decrease from the original budget and other financing source estimate of $21,641,227. This $40,200 difference was mainly due to a decrease in property taxes from the original estimates. Actual receipts and other financing sources of $21,600,783 were very close to the final budget basis revenue estimate.

The original expenditure and other financing use estimate for the fiscal year were $23,652,364. The final expenditures and other financing use estimate of $23,442,200 was $210,164 less than what was originally anticipated. Actual expenditures plus encumbrances and other financing uses of $22,663,568 reported significant variances as compared to the final expenditure budgets. The School District ended the year at approximately $.7 million under budget. The conservative budgeting for the operational costs of the newer buildings contributed to this significant decrease in expenditures as compared to the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had $64,935,454 invested in various capitalized assets, net of depreciation. The table below shows fiscal year 2017 balances compared to fiscal year 2016.

Capital Assets, at Fiscal Year End
(Net of depreciation)

	Governmental Activities	
	2017	2016
Land	$ 1,570,200	$ 1,570,200
Construction in progress	-	500,611
Land improvements	840,373	877,041
Buildings and improvements	60,638,524	61,018,043
Furniture, fixtures and equipment	936,240	1,018,811
Vehicles	950,117	817,878
Total capital assets	$ 64,935,454	$ 65,802,584

Capital assets decreased $867,130 from 2016, due mainly from current year depreciation and disposals exceeding additions. The net value of vehicles increased from 2016 due to the replacement of four completely depreciated buses. See Note 6 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2017, the School District had $14,550,000 in general obligation bonds outstanding. Of this total, $870,000 is due within one year and $13,680,000 is due in more than one year. The following table summarizes the bonds outstanding.

Outstanding Debt at Fiscal Year End

	Governmental Activities	
	2017	2016
General obligation bonds:		
School improvement/refunding	$ 14,550,000	$ 15,375,050

Additional information on the School District's long-term debt can be found in Note 13 of the basic financial statements.

Current Financial Related Activities

As the preceding information shows, the School District heavily depends on its property taxpayers and State aid. The School District had been fortunate in that it had not had to ask its voters for additional operating revenue since 1993. However, due to state funding reductions, the School District placed emergency operating levies on the ballot in November 2011 and August 2012, which did not pass. As a result, the School District made substantial expenditure reductions. Management must diligently plan expenses, staying carefully within the School District's five-year forecast. Even with spending controls in place, the School District realizes that it may need to seek additional operating millage in the future. The School District placed an income tax levy on the ballot in November 2017, which failed the approval of the voters. Currently, the School District has put an income tax levy on the ballot for May 2018 as discussed in Note 19.

Fluctuating state foundation funding formulas and decreased property valuations provide no significant increase in future revenues. In addition to the complete phase-out of the tangible personal property reimbursements and not replacing the loss of federal stimulus dollars and the Education Jobs bill, the state also eliminated additional funding for EMIS, Career Tech and gifted testing. With its major sources of revenue not keeping pace with expenditure increases, the School District must seek additional tax revenues or reduce already lean expenditures to continue current operations. However, the School District cannot look to the State of Ohio for increased revenue.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kevin Lillie, Treasurer at Geneva Area City School District, 135 South Eagle Street, Geneva, Ohio 44041.

Geneva Area City School District
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	$ 8,294,318
Cash and cash equivalents:	
In segregated accounts	143,044
With fiscal agents	15,000
Receivables:	
Taxes	10,916,087
Accounts	404,683
Intergovernmental	291,647
Accrued interest	18,381
Prepaid items	52,820
Inventory held for resale	16,065
Materials and supplies inventory	16,472
Capital assets:	
Land	1,570,200
Depreciable capital assets	78,956,352
Accumulated depreciation	(15,591,098)
Total capital assets	64,935,454
Total assets	85,103,971
Deferred outflows of resources:	
Pension	6,665,077
Liabilities:	
Accounts payable	229,596
Accrued wages and benefits	2,112,666
Intergovernmental payable	380,983
Accrued interest payable	34,567
Matured bonds payable	15,000
Claims payable	26,743
Long-term liabilities:	
Due within one year	1,158,456
Due in more than one year:	
Net pension liability	37,322,918
Other amounts due in more than one year	15,092,479
Total liabilities	56,373,408
Deferred inflows of resources:	
Property taxes	6,106,193
Pension	251,101
Total deferred inflows of resources	6,357,294
Net position:	
Net investment in capital assets	50,385,454
Restricted for:	
Capital projects	2,900,140
Debt service	2,203,322
Other purposes	784,981
Unrestricted	(27,235,551)
Total net position	$ 29,038,346

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 11,851,074	$ 1,636,984	$ 457,971	$ (9,756,119)
Special	4,351,365	135,632	1,295,204	(2,920,529)
Vocational	255,046	-	52,420	(202,626)
Other	1,459,200	-	-	(1,459,200)
Support services:				
Pupils	1,457,958	-	44,058	(1,413,900)
Instructional staff	359,096	-	-	(359,096)
Board of education	19,863	-	-	(19,863)
Administration	1,987,079	-	111,132	(1,875,947)
Fiscal	621,384	-	27,322	(594,062)
Business	49,393	-	-	(49,393)
Operation and maintenance of plant	2,883,835	7,079	36,170	(2,840,586)
Pupil transportation	1,444,976	-	-	(1,444,976)
Central	68,167	-	-	(68,167)
Operation of non-instructional services:				
Food service operations	1,309,696	328,740	781,556	(199,400)
Community services	21,873	-	12,957	(8,916)
Extracurricular activities	776,950	262,780	36,955	(477,215)
Interest and fiscal charges	463,150	-	-	(463,150)
Total governmental activities	$ 29,380,105	$ 2,371,215	$ 2,855,745	(24,153,145)

General Revenues:	
Property taxes levied for:	
General purposes	$ 7,709,728
Debt service	1,336,273
Capital outlay and maintenance	366,743
Grants and entitlements not restricted to specific programs	12,502,815
Investment earnings	32,207
Miscellaneous	7,969
Total general revenues	21,955,735
Change in net position	(2,197,410)
Net position beginning of year	31,235,756
Net position end of year	$ 29,038,346

See accompanying notes to the basic financial statements.

Geneva Area City School District

Balance Sheet

Governmental Funds

June 30, 2017

	General	Bond Retirement	Permanent Improvement	Building	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents	$ 3,296,834	$ 1,543,798	$ 599,320	$ 2,197,561	$ 553,459	$ 8,190,972
Cash and cash equivalents:						
With fiscal agent	-	15,000	-	-	-	15,000
In segregated accounts	-	-	-	-	143,044	143,044
Receivables:						
Taxes	8,940,151	1,550,775	231,313	-	193,848	10,916,087
Accounts	404,626	-	-	-	57	404,683
Intergovernmental	31,789	-	-	-	259,858	291,647
Accrued interest	18,381	-	-	-	-	18,381
Inventory held for resale	-	-	-	-	16,065	16,065
Materials and supplies inventory	16,472	-	-	-	-	16,472
Prepaid items	49,677	-	-	-	3,143	52,820
Total assets	$ 12,757,930	$ 3,109,573	$ 830,633	$ 2,197,561	$ 1,169,474	$ 20,065,171
Liabilities:						
Accounts payable	$ 207,747	$ -	$ -	$ -	$ 21,849	$ 229,596
Accrued wages and benefits	1,902,607	-	-	-	210,059	2,112,666
Intergovernmental payable	331,937	-	-	-	49,046	380,983
Matured bonds payable	-	15,000	-	-	-	15,000
Total liabilities	2,442,291	15,000	-	-	280,954	2,738,245
Deferred inflows of resources:						
Property taxes	5,014,369	856,684	128,054	-	107,086	6,106,193
Unavailable revenue - delinquent property taxes	2,511,245	438,140	66,125	-	54,768	3,070,278
Unavailable revenue	147,730	-	-	-	44,636	192,366
Total deferred inflows of resources	7,673,344	1,294,824	194,179	-	206,490	9,368,837
Fund balances:						
Nonspendable	66,149	-	-	-	3,143	69,292
Restricted	-	1,799,749	636,454	2,197,561	730,061	5,363,825
Committed	22,000	-	-	-	-	22,000
Assigned	2,217,569	-	-	-	-	2,217,569
Unassigned (deficit)	336,577	-	-	-	(51,174)	285,403
Total fund balances	2,642,295	1,799,749	636,454	2,197,561	682,030	7,958,089
Total liabilities, deferred inflows of resources and fund balances	$ 12,757,930	$ 3,109,573	$ 830,633	$ 2,197,561	$ 1,169,474	$ 20,065,171

See accompanying notes to the basic financial statements.

Geneva Area City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total governmental fund balances		$ 7,958,089
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		64,935,454
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Property taxes receivable	$ 3,070,278	
Intergovernmental receivables	44,636	
Tuition and fees	147,730	
Total		3,262,644
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		76,603
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	6,665,077	
Deferred inflows - pension	(251,101)	
Net pension liability	(37,322,918)	
Total		(30,908,942)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(34,567)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(14,550,000)	
Compensated absences	(1,700,935)	
Total		(16,250,935)
Net position of governmental activities		$ 29,038,346

See accompanying notes to the basic financial statements.

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

	General	Bond Retirement	Permanent Improvement	Building	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 7,357,617	$ 1,287,687	$ 189,258	$ -	$ 160,633	$ 8,995,195
Intergovernmental	12,741,532	165,796	23,698	-	2,432,493	15,363,519
Interest	21,330	-	7,894	-	3,213	32,437
Tuition and fees	1,806,141	-	-	-	-	1,806,141
Extracurricular activities	84,124	-	-	-	178,656	262,780
Gifts and donations	882	-	-	-	44,138	45,020
Customer sales and service	1,525	-	-	-	328,740	330,265
Rent	7,079	-	-	-	-	7,079
Miscellaneous	7,087	-	-	-	-	7,087
Total revenues	22,027,317	1,453,483	220,850	-	3,147,873	26,849,523
Expenditures:						
Current:						
Instruction:						
Regular	9,909,793	-	-	175,022	143,776	10,228,591
Special	2,925,157	-	-	-	1,222,276	4,147,433
Vocational	214,757	-	-	-	-	214,757
Other	1,459,046	-	-	-	-	1,459,046
Support services:						
Pupils	1,333,041	-	-	-	34,782	1,367,823
Instructional staff	288,724	-	-	-	11,716	300,440
Board of education	19,505	-	-	-	-	19,505
Administration	1,708,541	-	-	-	104,937	1,813,478
Fiscal	539,620	24,273	3,533	-	23,061	590,487
Business	48,539	-	-	-	-	48,539
Operation and maintenance of plant	2,122,274	-	182,856	13,223	149,794	2,468,147
Pupil transportation	1,183,030	-	9,978	-	-	1,193,008
Central	68,167	-	-	-	-	68,167
Operation of non-instructional services:						
Food service operations	29,997	-	-	-	1,155,580	1,185,577
Community services	-	-	-	-	21,916	21,916
Extracurricular activities	467,294	-	-	-	230,755	698,049
Capital outlay	16,086	-	707,800	261,090	31,056	1,016,032
Debt service:						
Principal retirement	-	870,000	-	-	-	870,000
Interest and fiscal charges	-	418,275	-	-	-	418,275
Total expenditures	22,333,571	1,312,548	904,167	449,335	3,129,649	28,129,270
Excess of revenues over (under) expenditures	(306,254)	140,935	(683,317)	(449,335)	18,224	(1,279,747)
Other financing sources (uses):						
Transfers in	-	-	-	-	81,609	81,609
Transfers out	(81,609)	-	-	-	-	(81,609)
Total other financing sources (uses)	(81,609)	-	-	-	81,609	-
Net change in fund balances	(387,863)	140,935	(683,317)	(449,335)	99,833	(1,279,747)
Fund balances beginning of year	3,030,158	1,658,814	1,319,771	2,646,896	582,197	9,237,836
Fund balances end of year	$ 2,642,295	$ 1,799,749	$ 636,454	$ 2,197,561	$ 682,030	$ 7,958,089

See accompanying notes to the basic financial statements.

Geneva Area City School District

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

Net change in fund balances - total governmental funds		$ (1,279,747)
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 capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital asset additions	$ 1,016,032	
Depreciation expense	(1,883,162)	
Excess of depreciation expense over capital asset additions		(867,130)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Property taxes	417,549	
Intergovernmental	(49,327)	
Tuition and fees	(35,050)	
Net change in deferred inflows of resources during the year		333,172
Contractually required pension contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,821,649
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(2,855,592)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		870,000
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	(168,627)	
Decrease in accrued interest	75	
Total additional expenses		(168,552)
The accretion of capital appreciation bond is reflected as an expense in the statement of activities.		(44,950)
The internal service fund used by management to charge the costs of dental claims to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.		(6,260)
Change in net position of governmental activities		$ (2,197,410)

See accompanying notes to the basic financial statements.

Geneva Area City School District

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 6,864,708	$ 6,766,451	$ 6,766,452	$ 1
Intergovernmental	12,712,437	12,695,193	12,695,193	-
Interest	82,747	90,027	89,861	(166)
Tuition and fees	1,836,360	1,906,202	1,906,202	-
Extracurricular activities	82,800	83,974	83,974	-
Gifts and donations	1,475	882	882	-
Customer sales and service	1,500	1,440	1,361	(79)
Rent	5,200	7,153	7,153	-
Miscellaneous	2,400	2,298	2,298	-
Total revenues	21,589,627	21,553,620	21,553,376	(244)
Expenditures:				
Current:				
Instruction:				
Regular	10,216,992	10,076,992	9,938,513	138,479
Special	2,895,799	3,085,799	2,987,382	98,417
Vocational	164,770	215,770	206,652	9,118
Other	1,391,716	1,440,716	1,424,412	16,304
Support services:				
Pupils	1,323,013	1,448,013	1,358,121	89,892
Instructional staff	275,904	302,532	288,787	13,745
Board of education	33,370	21,278	19,555	1,723
Administration	1,883,652	1,804,652	1,727,036	77,616
Fiscal	575,620	587,620	542,515	45,105
Business	21,710	52,710	46,753	5,957
Operation and maintenance of plant	2,358,081	2,362,981	2,204,253	158,728
Pupil transportation	1,800,523	1,265,523	1,217,055	48,468
Central	46,187	76,187	67,429	8,758
Operation of non-instructional services:				
Food service operations	29,370	31,870	30,570	1,300
Extracurricular activities	459,257	492,957	485,907	7,050
Capital outlay	50,400	50,600	37,019	13,581
Total expenditures	23,526,364	23,316,200	22,581,959	734,241
Excess of revenues under expenditures	(1,936,737)	(1,762,580)	(1,028,583)	733,997
Other financing sources (uses):				
Proceeds from the sale of capital assets	22,100	25,438	25,438	-
Refund of prior year expenditures	25,000	21,969	21,969	-
Insurance recoveries	4,500	-	-	-
Transfers out	(126,000)	(126,000)	(81,609)	44,391
Total other financing sources (uses)	(74,400)	(78,593)	(34,202)	44,391
Net change in fund balance	(2,011,137)	(1,841,173)	(1,062,785)	778,388
Fund balance at beginning of year	3,731,093	3,731,093	3,731,093	-
Prior year encumbrances appropriated	353,827	353,827	353,827	-
Fund balance at end of year	$ 2,073,783	$ 2,243,747	$ 3,022,135	$ 778,388

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2017

	Self Insurance
Assets:	
Equity in pooled cash and cash equivalents	$ 103,346
Liabilities:	
Claims payable	26,743
Net position:	
Unrestricted	76,603
Total liabilities and net position	$ 103,346

See accompanying notes to the basic financial statements.

Geneva Area City School District

Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Fund

For the Fiscal Year Ended June 30, 2017

	Self Insurance
Operating revenues	
Charges for services	$ 227,952
Operating expenses:	
Purchased services	16,169
Claims	218,043
Total operating expenses	234,212
Change in net position	(6,260)
Net position at beginning of year	82,863
Net position at end of year	$ 76,603

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2017

		Self Insurance
Cash flows from operating activities:		
Cash received for charges for services	$	227,952
Cash payments to suppliers for goods and services		(16,169)
Cash payments for claims		(204,500)
Net cash provided by operating activities		7,283
Net increase in cash and cash equivalents		7,283
Cash and cash equivalents at beginning of year		96,063
Cash and cash equivalents at end of year	$	103,346
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(6,260)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Change in liabilities:		
Increase (decrease) in liabilities:		
Claims payable		13,543
Total adjustments		13,543
Net cash provided by operating activities	$	7,283

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trusts Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	$ 45,453	$ 21,773
Cash and cash equivalents in segregated accounts	-	75,802
Receivable:		
Accrued interest	-	7
Total assets	$ 45,453	$ 97,582
Liabilities:		
Accounts payable	$ -	$ 243
Undistributed monies	-	21,773
Due to students	-	75,566
Total liabilities	-	$ 97,582
Net position:		
Held in trust for scholarships	45,453	
Total net position	$ 45,453	

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
	Scholarship
Additions:	
Interest	$ 465
Deductions:	
Scholarship awards	419
Change in net position	46
Net position beginning of year	45,407
Net position end of year	$ 45,453

See accompanying notes to the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a city district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

Average daily membership (ADM) as of June 30, 2017, was 2,328. The School District employed 161 certificated employees and 93 non-certificated employees.

The School District provides regular, special, vocational and other instruction. The School District also provides support services for pupils, instructional staff, board of education, administration, fiscal, operation and maintenance of plant and pupil transportation. Operation of non-instructional services, extracurricular activities and non-programmed services are also provided.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization or (c) is obligated in some manner for the debt of the organization.

The Ashtabula County District Library (the Library) is a library created under Chapter 3375 of the Ohio Revised Code (ORC) and is located in the Geneva Area City School District. The Board of Trustees of the Library controls and manages the Library and issues its own financial statements, therefore, is excluded from these financial statements.

The School District is associated with organizations which are defined as jointly governed organizations. These organizations are the Northeast Ohio Management Information Network, the Ashtabula County Schools Council of Governments, and the Ashtabula County Technical and Career Campus, which are presented in Note 14 to the basic financial statements.

Within the School District boundaries is a non-public school, the Grand River Academy. Current State legislation provides funding to this school. These monies are received and disbursed on behalf of the school by the Treasurer of the School District, as directed by the non-public school, as provided by State guidelines.

Management believes the financial statements included in this report represent all of the funds of the School District over which the Board of Education is financially accountable.

B. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the various funds of the School District are grouped into three categories: governmental, proprietary and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions typically are financed. Governmental fund types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of “available spendable resources” during the period. The School District reports four major governmental funds as described below:

> General Fund – This fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the policies of the School District and the laws of the State of Ohio.

> Bond Retirement Fund – This debt service fund is used to account for the financial resources, such as property taxes, collected and used for the repayment of debt of the School District.

> Permanent Improvement Fund – This capital projects fund is used to account for all transactions related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705.

Building Fund – This capital projects fund is used to account for all special bond funds in the district. All proceeds from the sale of bonds, except premium and accrued interest, must be paid into this fund. In addition, this fund received a portion of Ohio Schools Facilities funding. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for revenue received from other funds and the settlement of expenses for dental claims of School District employees.

Fiduciary Fund Types Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust, investment trust, private purpose trust and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private-purpose trust fund 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 School District's agency funds are a student activities fund which accounts for activities for students and the other is used to account for money temporarily held for Ohio High School Athletic Association (OHSAA) tournaments.

C. Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

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

Fund Financial Statements The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities and deferred outflows and inflows of resources , and statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statement of net position reports 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 School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 9)

E. Budget and Budgetary Accounting

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for the general fund and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at either its regular board meeting in December or its organizational board meeting in January. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2) The County Budget Commission certifies its actions to the School District by March 1st. As part of this certification, the School District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this Certificate is amended to include any unencumbered balances from the preceding fiscal year.

3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the legal level of control.

4) The School District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations for the general fund are presented in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget (Non-GAAP Basis) and Actual - General Fund" to provide a meaningful comparison of actual results with the budget.

***Encumbrances* -** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

***Lapsing of Appropriations* -** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

Cash received by the School District is pooled in various bank accounts with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Also, the School District maintains segregated accounts for the district managed activity and student managed activity funds, which is presented as "Cash and cash equivalents in segregated accounts."

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. This account's balance is presented in the account "Cash and cash equivalents with fiscal agents".

During the fiscal year all investments were limited to certificates of deposit and instruments of government sponsored mortgage-backed securities. Except for nonparticipating investments contracts, investments are reported at fair market value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and negotiable certificates of deposits are reported at cost.

G. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, laws of other governments, or enabling legislation. The School District expended all restricted assets in accordance with specific restrictions during the fiscal year. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance restriction.

H. Inventories

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of donated food, purchased food, and expendable supplies held for consumption. The cost of the governmental fund type inventories is recorded as expenditures when used (consumption method).

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

J. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2017. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2017 and accordingly have been recorded as deferred inflows of resources – property taxes in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred inflows of resources – delinquent property taxes until they are determined to be uncollectible.

K. Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related 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. The School District maintains a capitalization threshold of five thousand dollars.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Description	Estimated Lives
Buildings and improvements	30-50 years
Furniture	20 years
Equipment	10-20 years
Fixtures	15 years
Vehicles	10 years

L. Interfund Balances

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

M. 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 from them are not presented on the financial statements.

N. Net pension liability and pension expense

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

The current accounting standard requires School Districts to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. Under the new standards, the net pension liability equals the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. The School District has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

O. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

The current portion of unpaid compensated absence, which expected to be paid using the available expendable resources, is reported on the governmental funds financial statements. The amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported in this statement.

P. 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 are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

Q. Fund Balance

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. 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 School District. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

R. Net Position

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

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

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

T. Estimates

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

NOTE 2 – FUND BALANCES

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

Fund Balances	General	Bond Retirement	Permanent Improvement	Building	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Materials and supplies inventory	$ 16,472	$ -	$ -	$ -	$ -	$ 16,472
Prepaids	49,677	-	-	-	3,143	52,820
Total nonspendable	66,149	-	-	-	3,143	69,292
Restricted for						
Athletics and music	-	-	-	-	134,800	134,800
Auxiliary services	-	-	-	-	1,244	1,244
Classroom facilities maintenance	-	-	-	-	333,132	333,132
Capital improvements	-	-	636,454	2,197,561	-	2,834,015
Instructional programs	-	-	-	-	1,914	1,914
Special education	-	-	-	-	241,144	241,144
Scholarships and awards	-	-	-	-	17,827	17,827
Debt service payments	-	1,799,749	-	-	-	1,799,749
Total restricted	-	1,799,749	636,454	2,197,561	730,061	5,363,825
Committed						
Underground storage tanks	22,000	-	-	-	-	22,000
Assigned						
Encumbrances	238,520	-	-	-	-	238,520
Next fiscal year budget	1,979,049	-	-	-	-	1,979,049
Total assigned	2,217,569	-	-	-	-	2,217,569
Unassigned (deficit)	336,577	-	-	-	(51,174)	285,403
Total fund balances	$ 2,642,295	$ 1,799,749	$ 636,454	$ 2,197,561	$ 682,030	$ 7,958,089

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).

5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance

	General
GAAP basis	$ (387,863)
Revenue accruals	(488,909)
Adjustment to fair market value for investments:	
Prior year amount	34,229
Current year amount	30,338
Expenditure accruals	30,099
Budgeted as part of special revenue fund:	
Revenues	(2,192)
Expenditures	1,595
Encumbrances (Budget Basis) outstanding at year end	(280,082)
Budget basis	$ (1,062,785)

NOTE 4 – CASH AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawal 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 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 public 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 within five years from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

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 2% 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 or its political subdivisions provided that such political subdivisions are located wholly or partly within the School District.
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio).

8. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and

9. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Cash on hand

At fiscal year-end, the School District had $6,075 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

Deposits

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

At June 30, 2017, the carrying amount of the School District's deposits was $1,918,143. The School District's bank balance of $2,464,782 was not exposed to custodial credit risk.

Investments

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

Investment Type		Fair Value	Percentage of Investments	Maturity	Rating [1]
Federal National Mortgage Association	$	199,070	2.98%	12/25/19	AA+
Federal National Mortgage Association		195,842	2.94%	07/27/21	AA+
Federal Home Loan Mortgage Corporation		249,407	3.74%	09/23/19	AA+
Federal Home Loan Mortgage Corporation		198,676	2.98%	02/26/21	AA+
Federal Home Loan Mortgage Corporation		197,330	2.96%	06/07/21	AA+
Federal Farm Credit Bank		198,610	2.98%	01/07/19	AA+
Federal Farm Credit Bank		99,284	1.49%	04/05/19	AA+
Federal Farm Credit Bank		195,448	2.93%	07/20/20	AA+
Federal Home Loan Bank		39,812	0.60%	08/28/18	AA+
Federal Home Loan Bank		198,946	2.98%	11/23/18	AA+
Federal Home Loan Bank		199,514	2.99%	08/15/19	AA+
Federal Home Loan Bank		296,904	4.45%	06/07/21	AA+
Federal Home Loan Bank		498,630	7.47%	03/20/18	AA+
Total Government Sponsored Enterprises	$	2,767,473			

(1) Standard and Poor rating

Investment Type	Fair Value	Maturity < 1 year	< 2 years	< 3 years	< 4 years
Negotiable certificates of deposit	$3,903,699	1,750,602	1,215,041	786,100	151,956

All of the School District's negotiable CDs are covered in full by FDIC insurance.

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above tables identify the School District’s recurring fair value measurement as of June 30, 2017.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in the Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB) and Federal National Mortgage Association (FNMA) are held by the counterparty’s trust department or agent and not in the School District’s name. All of the School District’s negotiable certificates of deposit are registered securities and covered in full by FDIC insurance. The School District’s policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District’s investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned FHLB, FHLMC, FFCB and FNMA an AA+ rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5% of the School District's investments are in FHLB, FHLMC, FFCB and FNMA and these investments are 41.5% of the School District's total investments, with negotiable CDs making up 58.5% of all investments. These investments are presented in the table on the previous page. The portfolio of negotiable CDs consists of CDs each from different financial institutions ranging in values up to $245,000. The School District's policy places no limit on the amount that may be invested in any one issuer.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. For the School District, all investment earnings accrue to the general fund, certain special revenue funds, certain capital projects funds, and the private purpose trust fund as authorized by board resolution. Interest revenue credited to the general fund during the fiscal year amounted to $21,330; which includes interest of $5,837 assigned from other School District funds.

NOTE 5 – PROPERTY TAX

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

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

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

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

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

At June 30, 2017, taxes available for advance were: $1,414,537 for the general fund, $255,951 for the bond retirement debt service fund; $37,134 for the permanent improvement capital projects fund, and $31,994 for the classroom facilities maintenance special revenue fund.

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

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

Property Category	2017 Assessed Value	2016 Assessed Value
Real Property		
Residential, agricultural, commercial and industrial	$ 325,963,730	$ 330,468,050
Public utilities	140,850	151,680
Tangible Personal Property		
General	11,401,560	10,743,880
Total	$ 337,506,140	$ 341,363,610

NOTE 6 – CAPITAL ASSETS

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

Governmental Activities	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	$ 1,570,200	$ -	$ -	$ 1,570,200
Construction in progress	500,611	622,806	(1,123,417)	-
Total capital assets, not being depreciated	2,070,811	622,806	(1,123,417)	1,570,200
Capital assets, being depreciated:				
Land improvements	2,738,949	104,994	-	2,843,943
Buildings and improvements	70,825,955	1,054,302	(25,379)	71,854,878
Furniture, fixtures and equipment	1,904,992	35,847	(56,142)	1,884,697
Vehicles	2,274,052	321,500	(222,718)	2,372,834
Total capital assets, being depreciated	77,743,948	1,516,643	(304,239)	78,956,352
Less: Accumulated depreciation:				
Land improvements	(1,861,908)	(141,662)	-	(2,003,570)
Buildings and improvements	(9,807,912)	(1,433,821)	25,379	(11,216,354)
Furniture, fixtures and equipment	(886,181)	(118,418)	56,142	(948,457)
Vehicles	(1,456,174)	(189,261)	222,718	(1,422,717)
Total accumulated depreciation	(14,012,175)	(1,883,162)	304,239	(15,591,098)
Total capital assets being depreciated, net	63,731,773	(366,519)	-	63,365,254
Governmental activities capital assets, net	$ 65,802,584	$ 256,287	$ (1,123,417)	$ 64,935,454

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 1,074,758
Special	31,112
Vocational	21,519
Support services:	
Pupil	22,322
Instructional staff	43,990
Administration	25,974
Operation and maintenance of plant	358,557
Pupil transportation	201,879
Operation of non-instructional services	57,195
Extracurricular activities	45,856
Total depreciation expense	$ 1,883,162

NOTE 7 – RECEIVABLES

Receivables at June 30, 2017, consisted of taxes, accounts (miscellaneous), 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 guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
General:	
Foundation adjustment	$ 31,789
Other governmental funds:	
Grants	259,858
Total	$ 291,647

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	
Nonmajor governmental funds	$ 81,609

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorization. Transfers are also used to close out grants in any funds, including special revenue funds that are no longer required.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

A. School Employees Retirement System

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was $357,340 for fiscal year 2017. Of this amount $24,677 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $1,464,309 for fiscal year 2017. Of this amount $263,744 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the net pension liability - prior measurement date	0.083531%	0.0937433%	
Proportion of the net pension liability - current measurement date	0.082263%	0.0935143%	
Change in proportionate share	-0.001268%	-0.000229%	
Proportionate share of the net pension liability	$6,020,863	$31,302,055	$37,322,918
Pension expense	$601,662	$2,253,930	$2,855,592

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 81,206	$ 1,264,753	$ 1,345,959
Changes of assumptions	401,926	-	401,926
Net difference between projected and actual earnings on pension plan investments	496,632	2,598,911	3,095,543
School District contributions subsequent to the measurement date	357,340	1,464,309	1,821,649
Total deferred outflows of resources	$ 1,337,104	$ 5,327,973	$ 6,665,077
Deferred inflows of resources			
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	$ 57,025	$ 194,076	$ 251,101
Total deferred inflows of resources	$ 57,025	$ 194,076	$ 251,101

$1,821,649 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	SERS	STRS	Total
2018	$ 223,882	$ 551,376	$ 775,258
2019	223,522	551,375	774,897
2020	332,574	1,548,647	1,881,221
2021	142,761	1,018,190	1,160,951
Total	$ 922,739	$ 3,669,588	$ 4,592,327

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable 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.

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 stocks	22.50	4.75
Non-US stocks	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.5 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 (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	$ 7,971,248	$6,020,863	$4,388,310

Actuarial Assumptions - STRS

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset class	Target allocation	Long term expected real rate of return
Domestic equity	31.00 %	8.00 %
International equity	26.00	7.85
Alternatives	14.00	8.00
Fixed income	18.00	3.75
Real estate	10.00	6.75
Liquidity reserves	1.00	3.00
Total	100.00 %	

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

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

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$ 41,597,888	$31,302,055	$22,616,913

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

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2017, several members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid. The remaining Board members contribute to SERS.

NOTE 10 – POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, there was no allocation of covered payroll allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was $23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was $43,409.

The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $43,409, $42,994, and $67,421, respectively. For fiscal year 2017, 0 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, 2016 and fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care for the last three fiscal years.

NOTE 11 – COMPENSATED ABSENCES

Vacation Leave The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The number of days granted, is determined upon length of service. For fiscal year 2017, the superintendent and the treasurer were granted twenty days of vacation. Administrators may accrue vacation leave up to a maximum of three years prior to using the vacation leave days. Classified employees earn ten to twenty days of vacation per year, depending upon length of service (with a year defined as at least 120 days). Classified employees may accrue vacation up to a maximum of two years prior to using the vacation leave days. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. The administrative and classified personnel accumulate vacation based on the following schedule:

Administration Years Service	Classified Years Service	Vacation Days
1-8	1-6	10
9-17	7-14	15
18-beyond	15-beyond	20

Sick Leave/Severance Pay Each employee earns sick leave at the rate of one and one-fourth days per month to a maximum of fifteen days in any year. Effective February 17, 2012, classified employees' sick leave was converted to hours for accumulation and usage. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for employees is 320 days. Retirement pay will be paid to an employee who retires on the basis of one-fourth (1/4) of the employee's total available accumulated sick leave days up to a maximum of 80 days at the daily rate at the time of retirement.

Retirement pay shall be paid within thirty calendar days of the effective date of the employee's retirement. For administrative employees and any teacher actively employed on or after June 30, 2005; retiring administrators and teachers shall have their severance pay placed into an annuity contract as an Employer Plan for Payment and Deferral of Severance Pay, and payment shall occur within thirty (30) calendar days of the effective date of the employee's retirement and shall be in lieu of payment being made directly to the retired employee. However, for administrators, the first thirty days of accumulated sick days must be paid and any remaining will be placed in the annuity.

NOTE 12 – RISK MANAGEMENT

A. General Risk

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has addressed these various types of risk by purchasing a comprehensive insurance policy through the Ohio School Plan (Plan).

General liability insurance is maintained in the amount of $4,000,000 for single occurrence and $6,000,000 in the aggregate. The School District maintains fleet insurance in the amount of $4,000,000 for any one accident or loss. The School District maintains replacement cost insurance on buildings and contents in the amount of $84,503,304.

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year. For fiscal year 2017, the School District participated in the Plan which is an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

B. Workers' Compensation

The School District participates in the Workers' Compensation Program provided by the State of Ohio. The Ohio system of workers' compensation has been in effect since 1913 providing compensation for work-related injuries, diseases and deaths. The system is maintained by the Ohio Bureau of Workers' Compensation and the Industrial Commission. The Bureau of Workers' Compensation determines basic premium rates by the cost of claims generated within the school's industry classification. New rates are effective each January 1. Premiums are paid annually.

C. Health Insurance

In July 1987, the School District joined the Ashtabula County Schools Council of Governments Employees Insurance Consortium to insure its medical and vision claims. The consortium currently includes seven member school districts. Contributions are determined by the consortium's board of directors. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the School District. The School District provides life insurance coverage through a commercial insurance policy.

The School District uses an internal service fund to record and report its self-funded dental insurance program. The claims liability of $26,743, reported in the fund at year end was estimated and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

Changes in the fund's claims liability during 2016 and 2017 were:

	Year ended 6/30/2017	Year ended 6/30/2016
Unpaid claims, beginning of fiscal year	$ 13,200	$ 13,713
Incurred claims (including IBNRs)	218,043	194,797
Claim payments	(204,500)	(195,310)
Unpaid claims, end of fiscal year	$ 26,743	$ 13,200

NOTE 13 – LONG-TERM DEBT AND OBLIGATIONS

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due within one year
General Obligation Bonds					
2012 School Improvement					
Refunding	$ 14,625,000	$ -	$ (75,000)	$ 14,550,000	$ 870,000
2003 School Improvement					
Capital appreciation	163,929	-	(163,929)	-	-
Accretion on bonds	586,121	44,950	(631,071)	-	-
Total bonds	15,375,050	44,950	(870,000)	14,550,000	870,000
Other Long-term obligations					
Compensated absenses	1,532,308	327,551	(158,924)	1,700,935	288,456
Net Pension Liability					
STRS	25,907,909	5,394,146	-	31,302,055	-
SERS	4,766,348	1,254,515	-	6,020,863	-
Total net pension liability	30,674,257	6,648,661	-	37,322,918	-
Total governmental long-term obligations	$ 47,581,615	$ 7,021,162	$ (1,028,924)	$ 53,573,853	$ 1,158,456

The School District pays compensated absences and pension obligations related to employee benefits and compensation from the fund benefitting from their service.

School Improvement Bonds: In May 2003, the School District issued $23,109,990 of general obligation bonds to finance the construction of the new high school facility. The bonds were a combination of serial and capital appreciation bonds. A portion of these bonds have been refunded and the remaining portion (capital appreciation bond) matured in fiscal year 2017.

School Improvement Refunding Bonds: On June 20, 2012, the School District issued $14,860,000 in refunding general obligation bonds with interest rates from .9-3.375% to refund $15,080,000 of outstanding 2003 School Improvement Bonds. In addition to the proceeds of the new bonds the School District paid an additional $1,500,000. The net proceeds of $14,548,108 (after payment of $311,892 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of School Improvement Bonds refunded. These bonds are serial bonds. As a result of this issue, the School Improvement Bonds are considered to be defeased and the liability has been removed. The old debt had a final call date of December 1, 2013 in which the debt was repaid.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017 are as follows:

Fiscal Year	Principal	Interest	Total Payment
2018	$ 870,000	$ 406,100	$ 1,276,100
2019	890,000	388,500	1,278,500
2020	910,000	370,500	1,280,500
2021	930,000	352,100	1,282,100
2022	1,000,000	327,800	1,327,800
2023-2027	5,190,000	1,182,391	6,372,391
2028-2031	4,760,000	317,784	5,077,784
Total	$ 14,550,000	$ 3,345,175	$ 17,895,175

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the voters, shall not exceed 9.0% of the total value of all property in the School District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The School District has no unvoted debt. The School District’s unvoted debt limit and margin is $337,506. The voted debt limit and margin at June 30, 2017 is $30,375,553 and $15,825,553.

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOLS

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge. Payments to NEOMIN are made from the general fund. During the current fiscal year, the School District contributed $78,502 to NEOMIN.

Superintendents and Treasurers of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Ashtabula County Schools Council of Governments The School District's Superintendent is a member of the governing board of the Ashtabula County Schools Council of Governments, a separate entity formed for the purpose of purchasing health insurance. The School District has no ongoing financial interest or financial responsibility to the Council of Governments other than via participation by purchasing health insurance.

Ashtabula County Technical and Career Campus The School District is a member of the Ashtabula County Technical and Career Campus which has a seven-member board of education and is funded by levying millage and state and federal support. The School District has one member as a board representative. The School District has no ongoing financial interest or financial responsibility to the Ashtabula County Technical and Career Campus.

NOTE 15 – CONTINGENCIES

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not yet finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 16 – STATUTORY RESERVES

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

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

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Maintenance Reserve
Set-aside cash balance as of June 30, 2016	$ -
Current year set-aside requirement	436,581
Current year offset	(640,573)
Set-aside cash balance as of June 30, 2017	$ (203,992)
Cash balance carried forward to 2018	$ -

NOTE 17 – FUND DEFICITS

As of June 30, 2017, two funds had deficit fund balances. These deficits were caused by the application of GAAP. The deficit balance will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The following funds had a deficit balance:

Fund	Deficit Balance
Nonmajor special revenue fund:	
Lunchroom	$ 44,012
Improving teacher quality	7,162

NOTE 18 – TAX ABATEMENTS

Pursuant to Ohio Revised Code (ORC) Section 3735, the Village of Geneva-on-the Lake (the Village) established a Community Reinvestment Area (CRA) program. The CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for the renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

The total value of the School District's share of taxes abated within the CRA for fiscal year 2017 totaled $19,693.

NOTE 19 – SUBSEQUENT EVENT

The District has placed a 1.25% School District Income Tax Levy (earned income base) on the ballot for May 8, 2018 to offset future projected deficits. Although the District ended fiscal year 2017 with a positive cash fund balance in the general fund and is projecting a positive cash fund balance at the end of fiscal year 2018, the District's forecast is projecting a deficit fund balance for the fiscal year ending 2019 with continued deficits extending to 2022. The District is in communication with the Department of Education as required when future projected deficits occur.

Required Supplementary Information

Geneva Area City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2016	2015	2014	2013
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net pension liability	0.082263%	0.083531%	0.083654%	0.083654%
School District's proportionate share of the net pension liability	$ 6,020,863	$ 4,766,348	$ 4,233,681	$ 4,974,635
School District's covered employee payroll	$ 2,541,343	$ 2,514,750	$ 2,404,235	$ 2,425,506
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	236.92%	189.54%	176.09%	205.10%
Plan fiduciary net position as a percentage of total pension liability	62.98%	69.16%	71.70%	65.52%

	2016	2015	2014	2013
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net pension liability	0.0935143%	0.0937433%	0.0947171%	0.0947171%
School District's proportionate share of the net pension liability	$ 31,302,055	$ 25,907,909	$ 23,038,465	$ 27,443,268
School District's covered employee payroll	$ 10,007,457	$ 9,907,507	$ 9,875,246	$ 9,935,785
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	312.79%	261.50%	233.30%	276.21%
Plan fiduciary net position as a percentage of total pension liability	66.80%	72.10%	74.70%	69.30%

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

Geneva Area City School District
Required Supplementary Information
Schedule of School District Contributions
Last Five Fiscal Years (1)

	2017	2016	2015	2014	2013
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution	$ 357,340	$ 355,788	$ 331,444	$ 333,227	$ 335,690
Contributions in relation to contractually required contribution	(357,340)	(355,788)	(331,444)	(333,227)	(335,690)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered employee payroll	$ 2,552,429	$ 2,541,343	$ 2,514,750	$ 2,404,235	$ 2,425,506
Contributions as a percentage of covered employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%

	2017	2016	2015	2014	2013
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	$ 1,464,309	$ 1,401,044	$ 1,387,051	$ 1,283,782	$ 1,291,652
Contributions in relation to contractually required contribution	(1,464,309)	(1,401,044)	(1,387,051)	(1,283,782)	(1,291,652)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered employee payroll	$ 10,459,350	$ 10,007,457	$ 9,907,507	$ 9,875,246	$ 9,935,785
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available.

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. See the notes to the basic financials for the methods and assumptions in this calculation.

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GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Passed Through to Subrecipients**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	10.553	2017		$138,520
National School Lunch Program	10.555	2017		542,085
Non-Cash Food Commodities	10.555	2017		87,116
Total Nutrition Cluster				**767,721**
Total U.S. Department of Agriculture				**767,721**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Title I - Grants to Local Educational Agencies	84.010	2016		117,747
		2017		557,753
Subtotal Title I - Grants to Local Enducational Agencies				**675,500**
Special Education Cluster:				
IDEA-B - Special Education Grants to State	84.027	2016		93,298
		2017		449,599
Subtotal - IDEA-B				**542,897**
Special Education - Preschool Grants	84.173	2017		**11,558**
Subtotal - Special Education Cluster				**554,455**
Title VI-B - Rural Education	84.358	2016		7,580
		2017		48,417
Subtotal - Title VI-B - Rural Education				**55,997**
Title II - A Improving Teacher Quality State Grants	84.367	2016		17,770
		2017		92,305
Subtotal - Title II - A Improving Teacher Quality State Grants				**110,075**
Total - U.S. Department of Education				**1,396,027**
Total Expenditures of Federal Awards				**$2,163,748**

The accompanying notes are an integral part of this schedule.

GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

Geneva Area City School District
Ashtabula County
135 South Eagle Street
Geneva, Ohio 44041

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Geneva Area City School District, Ashtabula County (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 26, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 26, 2018

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

Geneva Area City School District
Ashtabula County
135 South Eagle Street
Geneva, Ohio 44041

To the Board of Education:

Report on Compliance for the Major Federal Program

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

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

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

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Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361
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Opinion on the Major Federal Program

In our opinion, the Geneva Area City School District, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Dave Yost
Auditor of State
Columbus, Ohio

January 26, 2018

GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

GENEVA AREA CITY SCHOOL DISTRICT

ASHTABULA 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
FEBRUARY 15, 2018

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