



Dave Yost • Auditor of State

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY
JUNE 30, 2017**

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CLARK COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, Ohio (the District), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, Ohio, as of June 30, 2017, and the respective changes in financial position and budgetary comparison for the General Fund thereof for the fiscal 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 Receipts and 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 February 27, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 27, 2018

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

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position for governmental activities decreased \$1,655,637, which represents a 10 percent decrease from 2016. The depreciation of capital assets exceeding capital asset additions contributed to this decrease.
- General revenues accounted for \$30,494,276 in revenue or 83 percent of governmental revenues. Program specific revenues in the form of charges for services and operating grants and contributions and interest accounted for \$6,167,262 or 17 percent of governmental revenues of \$36,661,538.
- The School District had \$38,317,175 in governmental expenses; only \$6,167,262 of these expenses was offset by program specific charges for services, grants or contributions. General revenues for governmental activities (primarily taxes and entitlements) of \$30,494,276 also contributed to these programs.
- Among major funds, the General Fund had \$30,470,780 in revenues/other financing sources and \$27,997,360 in expenditures. The General Fund's balance increased \$2,473,420 from 2016.

GASB 68

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

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

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

Tecumseh Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

Using this Generally Accepted Accounting Principles Report (GAAP)

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

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

Tecumseh Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities where most of the School District's programs and services are reported including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Tecumseh Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2017 compared to fiscal year 2016:

Table 1	
Net Position	
	Governmental Activities
	2016 2017
Assets	
Current and Other Assets	\$ 23,218,313 \$ 25,149,103
Capital Assets	63,749,949 60,954,311
Total Assets	<u>86,968,262 86,103,414</u>
Deferred Outflows of Resources	<u>10,011,414 10,650,849</u>
Liabilities	
Long-Term Liabilities	61,746,598 69,579,097
Other Liabilities	3,227,348 2,872,377
Total Liabilities	<u>64,973,946 72,451,474</u>
Deferred Inflows of Resources	<u>14,956,406 8,909,102</u>
Net Position	
Net Investment in Capital Assets	49,322,903 46,323,393
Restricted	2,770,105 3,086,501
Unrestricted	<u>(35,043,684) (34,016,207)</u>
Total Net Position	<u>\$ 17,049,324 \$ 15,393,687</u>

The amount by which the School District's assets exceeded its liabilities is called net position. Current assets increased as cash and cash equivalents increased \$1.8 million for fiscal year 2017. Long-term liabilities increased as the net pension liability increased \$8.4 million. No new debt was issued in fiscal year 2017. In addition, the School District continued payments on its existing debt for the amount \$875,000. Capital assets decreased as a result of the continued depreciation of capital assets.

Tecumseh Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

Table 2 shows the changes in net position for governmental activities for fiscal year 2016 and 2017.

Governmental Activities

Table 2
Change in Net Position

	2016	2017	Percent Change
Revenues			
Program Revenues:			
Charges for Services	\$2,544,908	\$2,515,323	-1.16%
Operating Grants and Contributions	2,979,669	3,651,939	22.56%
Total Program Revenues	<u>5,524,577</u>	<u>6,167,262</u>	11.63%
General Revenues			
Property Taxes	9,110,469	9,083,884	-0.29%
Grants and Entitlements Not Restricted	20,706,307	21,282,551	2.78%
All Other	161,317	127,841	-20.75%
Total General Revenues	<u>29,978,093</u>	<u>30,494,276</u>	1.72%
Total Revenues	<u>35,502,670</u>	<u>36,661,538</u>	3.26%
Program Expenses			
Instruction	17,790,468	20,678,526	16.23%
Support Services:			
Pupils and Instructional Staff	2,743,345	3,212,618	17.11%
Board of Education, Administration, Fiscal and Business	3,270,238	3,579,893	9.47%
Operation and Maintenance of Plant	3,060,644	3,341,740	9.18%
Pupil Transportation	1,550,951	1,646,506	6.16%
Central	87,620	82,432	-5.92%
Operation of Non-Instructional Services	1,540,341	1,803,306	17.07%
Extracurricular Activities	578,998	604,462	4.40%
Interest and Fiscal Charges	1,098,418	715,551	-34.86%
Unallocated Depreciation	2,658,749	2,652,141	-0.25%
Total Expenses	<u>34,379,772</u>	<u>38,317,175</u>	11.45%
Increase (Decrease) in Net Position	<u>\$1,122,898</u>	<u>(\$1,655,637)</u>	-247.44%

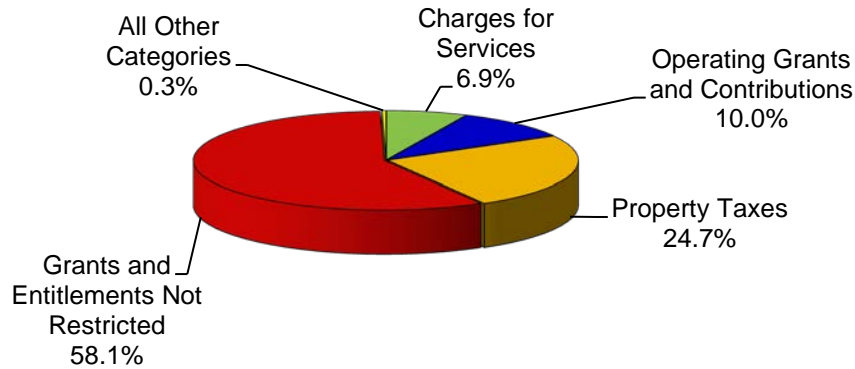
Total expenses increased 11.45% during fiscal year 2017. There was a slight growth in revenue; however, net position decreased \$1,655,637.

Grants and entitlements not restricted increased as a result of increases in State Foundation revenue.

The decrease in interest and fiscal charges was the result of less accretion of interest on the capital appreciation bonds.

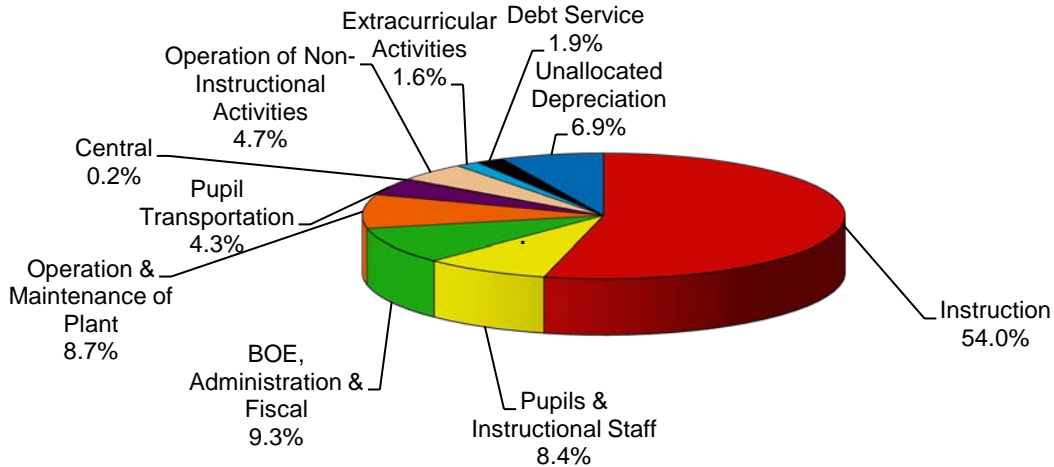
Tecumseh Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

Governmental Revenues



The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. The overall revenue generated by a levy does not increase solely as a result of inflation. Property taxes made up 24.7% and 25.7% of revenues for governmental activities for the Tecumseh Local School District for fiscal year 2017 and 2016, respectively. The last new operating levy approved by the voters in the School District occurred in 1995. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 58.1% and 58.3% of the School District's total revenue was received from intergovernmental sources during fiscal year 2017 and 2016, respectively.

Governmental Expenses



Instruction comprises 54.0 percent of district expenses. Support services expenses make up 30.9 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Governmental Activities

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Tecumseh Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

Table 3

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2017	Net Cost of Services 2017
Instruction	\$ 17,790,468	\$ (15,130,487)	\$ 20,678,526	\$ (17,492,319)
Support Services:				
Pupils and Instructional Staff	2,743,345	(2,481,576)	3,212,618	(2,881,046)
Board of Education, Administration, Fiscal and Business	3,270,238	(3,018,653)	3,579,893	(3,223,830)
Operation and Maintenance of Plant	3,060,644	(2,880,998)	3,341,740	(3,256,053)
Pupil Transportation	1,550,951	(1,518,616)	1,646,506	(1,626,341)
Central	87,620	(76,820)	82,432	(82,432)
Operation of Non-Instructional Services	1,540,341	309,631	1,803,306	99,760
Extracurricular Activities	578,998	(300,509)	604,462	(319,960)
Interest and Fiscal Charges	1,098,418	(1,098,418)	715,551	(715,551)
Unallocated Depreciation	2,658,749	(2,658,749)	2,652,141	(2,652,141)
Total Expenses	<u>\$ 34,379,772</u>	<u>\$ (28,855,195)</u>	<u>\$ 38,317,175</u>	<u>\$ (32,149,913)</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the School District.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities along with after-school activities.

Extracurricular activities includes expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

Tecumseh Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

The dependence upon tax revenues is apparent. Approximately 84 percent of all activities are supported through taxes and other general revenues. The community along with State revenues, as a whole, is the primary support for the Tecumseh Local School District.

The School District's Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$36,506,084 and expenditures of \$33,556,479. The net change in fund balance for the General Fund was a \$2,473,420 increase. Contributing to the increase was an increase in intergovernmental revenue from state foundation.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its General Fund budget, which resulted in appropriation increases of \$3,567,654 or 14%. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to fiscal year-end, the School District passed appropriations to match expenditures plus encumbrances for all except a few functions.

For the General Fund, the final budget basis revenue estimate was \$30,563,285. The original budgeted estimate was \$28,262,517. The 8% increase was primarily due to intergovernmental revenues.

Capital Assets

At the end of fiscal year 2017 the School District had \$60,954,311 invested in governmental land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2017 balances compared to fiscal year 2016.

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

	2016	2017
Land	\$495,386	\$495,386
Land Improvements	76,366	76,366
Buildings and Improvements	85,414,019	85,414,019
Furniture/Equipment/Fixtures	3,426,004	3,382,354
Vehicles	3,069,881	3,053,146
Accumulated Depreciation	(28,731,707)	(31,466,960)
Totals	\$63,749,949	\$60,954,311

Tecumseh Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

Overall capital assets decreased \$2,795,638 from fiscal year 2016 to fiscal year 2017. Depreciation expense exceeded capital asset additions resulting in the decrease. Additions for 2017 included an intercom/door release system, an all weather track and a John Deere Tractor H120 loader. For more information on capital assets see Note 8 of the Basic Financial Statements.

Debt Administration

At June 30, 2017, the School District had the following outstanding long-term debt:

	Amount Outstanding 6/30/2016	Amount Outstanding 6/30/2017
Governmental Activities		
General Obligation Bonds 2004	\$1,712,777	\$1,926,301
Refunding Bonds 2012	8,886,519	8,189,887
Refunding Bonds 2013	5,799,818	5,765,000
Total General Obligation Bonds	\$16,399,114	\$15,881,188
Unamortized Premium on Bonds		
Refunding Bonds 2012	\$810,260	\$759,619
Refunding Bonds 2013	541,410	496,292
Total Unamortized Premiums on Bonds	\$1,351,670	\$1,255,911

For more information on the School District's debt, see Note 14 of the Basic Financial Statements.

Current Financial Issues and Concerns

There was outstanding support from the local citizens and business community for the bond and maintenance levy in November 2003. The School District and the Ohio School Facilities Commission (Classroom Facilities Assistance Program) entered into an agreement pursuant to Ohio Revised Code Section 3318.30 in January 2004. The Ohio School Facilities Commission agreed to pay 77% of the building project. The building status is as follows: Donnelville Elementary and Medway Elementary are complete and were occupied at the beginning of fiscal year 2007; the new New Carlisle Elementary (formerly known as Westlake Elementary), the Park Layne Elementary and the new Tecumseh Middle School buildings are complete and were occupied in January 2007; Tecumseh High School was completed in fiscal year 2008. The close-out of the program occurred in fiscal year 2010.

On November 2, 2010, the voters of Tecumseh Local School District rejected a proposed 5 year, 1.5% earned income tax.

On May 3, 2011, the voters of Tecumseh Local School District rejected a proposed three year 6.61 mills property tax levy.

On November 8, 2011, the voters of the School District renewed a five-year 2.46 mill operating levy that generates approximately \$712,000 annually.

Tecumseh Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

On November 6, 2012, the voters of the School District voted against an additional 8.95 mill operating levy.

On May 7, 2013 and August 6, 2013, the voters of the School District voted against an additional 12.37 mill operating levy.

The board of education placed a 12.37 mill emergency levy again on the November 5, 2013, ballot to raise \$3,500,000. This levy also failed.

In May 2014, the voters of the School District approved a five year, 2.81 mill renewal levy anticipated to generate \$791,000 and a five year 4.67 mill renewal levy anticipated to generate \$1,351,000.

On November 4, 2014, the voters approved a renewal of a tax for the purpose of improvements, renovations, and additions, to school facilities, and providing equipment, furnishings, and site improvements at a rate of four (4.00) mills for each one dollar of valuation. The five-year levy is anticipated to generate \$707,084 during the first year of collection.

The School District voters renewed a 2.54 levy on November 8, 2016. The levy was for emergency purposes of the School District. The levy is anticipated to generate \$712,000 annually.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Denise Robinson, Treasurer at Tecumseh Local School District, 9760 West National Road, New Carlisle, OH 45344 or email denise.robinson@tecumsehlocal.org.

Tecumseh Local School District

Statement of Net Position

June 30, 2017

	GOVERNMENTAL ACTIVITIES
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$14,278,202
Cash and Cash Equivalents in Segregated Accounts	4,500
Accounts Receivable	79,496
Intergovernmental Receivable	565,083
Inventory of Supplies and Materials	51,809
Property and Other Taxes Receivable	10,170,013
Depreciable Capital Assets, Net	60,458,925
Land	495,386
Total Assets	<u>86,103,414</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding	1,017,480
Pension	9,633,369
Total Deferred Outflows of Resources	<u>10,650,849</u>
Liabilities:	
Accounts Payable	235,540
Accrued Wages and Benefits Payable	1,973,297
Intergovernmental Payable	454,271
Accrued Interest Payable	67,381
Matured Compensated Absences Payable	100,827
Vacation Leave Payable	41,061
Long Term Liabilities:	
Due Within One Year	912,709
Due In More Than One Year	
Net Pension Liability	50,462,316
Other Amounts Due In More Than One Year	16,948,161
Unamortized Premium on Bonds	1,255,911
Total Liabilities	<u>72,451,474</u>
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	7,093,843
Pension	1,815,259
Total Deferred Inflows of Resources	<u>8,909,102</u>
Net Position:	
Net Investment in Capital Assets	46,323,393
Restricted for:	
Debt Service	1,341,037
Capital Projects	1,611,913
Set-asides	80,264
Non-expendable	2,424
Unclaimed Monies	50,863
Unrestricted	(34,016,207)
Total Net Position	<u><u>\$15,393,687</u></u>

See Accompanying Notes to the Basic Financial Statements

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

	EXPENSES	PROGRAM REVENUES		NET (EXPENSE)
		CHARGES FOR SERVICES AND SALES	OPERATING GRANTS CONTRIBUTIONS AND INTEREST	REVENUE AND CHANGES IN NET POSITION
				TOTAL GOVERNMENTAL ACTIVITIES
Governmental Activities				
Instruction:				
Regular	\$13,071,260	\$1,512,697	\$189,174	(\$11,369,389)
Special	5,896,888	9,007	1,326,686	(4,561,195)
Vocational	491,516	6,514	142,129	(342,873)
Other	1,218,862	0	0	(1,218,862)
Support Services:				
Pupils	2,277,063	26,093	282,845	(1,968,125)
Instructional Staff	935,555	618	22,016	(912,921)
Board of Education	57,350	0	0	(57,350)
Administration	2,830,874	3,770	352,293	(2,474,811)
Fiscal	680,461	0	0	(680,461)
Business	11,208	0	0	(11,208)
Operation and Maintenance of Plant	3,341,740	85,687	0	(3,256,053)
Pupil Transportation	1,646,506	15,796	4,369	(1,626,341)
Central	82,432	0	0	(82,432)
Operation of Non-Instructional Services	1,803,306	574,086	1,328,980	99,760
Extracurricular Activities	604,462	281,055	3,447	(319,960)
Interest and Fiscal Charges	715,551	0	0	(715,551)
Depreciation - Unallocated	2,652,141	0	0	(2,652,141)
Total	<u>\$38,317,175</u>	<u>\$2,515,323</u>	<u>\$3,651,939</u>	<u>(32,149,913)</u>
General Revenues:				
Property Taxes Levied for:				
				7,355,224
				581,303
				1,037,494
				109,863
				21,282,551
				78,313
				49,528
				<u>30,494,276</u>
				(1,655,637)
				<u>17,049,324</u>
				<u>\$15,393,687</u>

See Accompanying Notes to the Basic Financial Statements

Tecumseh Local School District

Balance Sheet

Governmental Funds

June 30, 2017

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$8,857,773	\$5,420,429	\$14,278,202
Cash and Cash Equivalents in Segregated Accounts	0	4,500	4,500
Receivables:			
Property and Other Taxes	8,237,424	1,932,589	10,170,013
Accounts	79,496	0	79,496
Intergovernmental	53,997	511,086	565,083
Interfund	72,006	0	72,006
Inventory of Supplies and Materials	29,169	22,640	51,809
	<u>17,329,865</u>	<u>7,891,244</u>	<u>25,221,109</u>
Total Assets	<u>17,329,865</u>	<u>7,891,244</u>	<u>25,221,109</u>
Liabilities:			
Accounts Payable	76,675	158,865	235,540
Matured Compensated Absences Payable	98,491	2,336	100,827
Accrued Wages and Benefits Payable	1,784,342	188,955	1,973,297
Intergovernmental Payable	392,568	61,703	454,271
Interfund Payable	0	72,006	72,006
Total Liabilities	<u>2,352,076</u>	<u>483,865</u>	<u>2,835,941</u>
Deferred Inflows of Resources:			
Property Taxes not Levied to Finance Current Year			
Operations	5,760,368	1,333,475	7,093,843
Unavailable Revenue	494,799	630,447	1,125,246
Total Deferred Inflows of Resources	<u>6,255,167</u>	<u>1,963,922</u>	<u>8,219,089</u>
Fund Balances:			
Nonspendable	80,032	24,640	104,672
Restricted	0	5,637,815	5,637,815
Assigned	1,292,501	0	1,292,501
Unassigned	7,350,089	(218,998)	7,131,091
Total Fund Balances	<u>8,722,622</u>	<u>5,443,457</u>	<u>14,166,079</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$17,329,865</u>	<u>\$7,891,244</u>	<u>\$25,221,109</u>

See Accompanying Notes to the Basic Financial Statements

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

Total Governmental Fund Balances \$14,166,079

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. These assets consist of:

Land	495,386	
Land Improvements	76,366	
Building and Improvements	85,414,019	
Furniture/Equipment/Fixtures	3,382,354	
Vehicles	3,053,146	
Accumulated Depreciation	<u>(31,466,960)</u>	60,954,311
Total Capital Assets		

Some assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Deferred Charge on Refunding		1,017,480
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Property Taxes Receivable	614,580	
Intergovernmental Receivable	<u>510,666</u>	1,125,246

The net position liability is not due and payable in the current period; therefore, the liability and related deferred Inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	9,633,369	
Deferred Inflows - Pension	(1,815,259)	
Net Pension Liability	<u>(50,462,316)</u>	(42,644,206)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Obligation Bonds Payable	(15,881,188)	
Unamortized Premium on Bonds	(1,255,911)	
Accrued Interest Payable	(67,381)	
Vacation Leave Payable	(41,061)	
Compensated Absences Payable	<u>(1,979,682)</u>	(19,225,223)

Net Position of Governmental Activities \$15,393,687

See Accompanying Notes to the Basic Financial Statements

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

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:			
Property and Other Taxes	\$7,414,432	\$1,746,688	\$9,161,120
Intergovernmental	21,088,313	3,635,284	24,723,597
Interest	70,278	14,993	85,271
Tuition and Fees	1,577,720	0	1,577,720
Rent	36,800	0	36,800
Extracurricular Activities	21,520	167,325	188,845
Gifts and Donations	6,236	3,952	10,188
Charges for Services	121,822	492,222	614,044
Miscellaneous	94,716	13,783	108,499
Total Revenues	30,431,837	6,074,247	36,506,084
Expenditures:			
Current:			
Instruction:			
Regular	11,597,166	282,439	11,879,605
Special	4,272,930	1,132,813	5,405,743
Vocational	451,636	5,175	456,811
Other	1,218,862	0	1,218,862
Support Services:			
Pupils	1,779,689	237,535	2,017,224
Instructional Staff	858,938	18,166	877,104
Board of Education	56,403	0	56,403
Administration	2,305,983	328,922	2,634,905
Fiscal	637,417	36,430	673,847
Business	11,208	0	11,208
Operation and Maintenance of Plant	2,813,262	438,467	3,251,729
Pupil Transportation	1,447,061	2,105	1,449,166
Central	75,772	0	75,772
Operation of Non-Instructional Services	70,326	1,635,397	1,705,723
Extracurricular Activities	400,707	183,906	584,613
Capital Outlay	0	6,075	6,075
Debt Service:			
Principal Retirement	0	875,000	875,000
Interest and Fiscal Charges	0	376,689	376,689
Total Expenditures	27,997,360	5,559,119	33,556,479
Excess of Revenues Over (Under) Expenditures	2,434,477	515,128	2,949,605
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	15,349	0	15,349
Insurance Recoveries	23,594	0	23,594
Other Financing Sources (Uses)	38,943	0	38,943
Net Change in Fund Balances	2,473,420	515,128	2,988,548
Fund Balances at Beginning Of Year	6,249,202	4,928,329	11,177,531
Fund Balances at End of Year	\$8,722,622	\$5,443,457	\$14,166,079

See Accompanying Notes to the Basic Financial Statements

Tecumseh Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
 In Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds \$2,988,548

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Asset Additions	36,886	
Depreciation Expense	<u>(2,826,021)</u>	
Total		(2,789,135)

The proceeds from the sale of capital assets are reported as an other financing source in the governmental funds. However, the cost of the capital assets is removed from the capital assets account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(6,503)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current fiscal year, these amounts consist of:

General Obligation Bonds	875,000	
Amortization of Premium on Bonds	95,759	
Amortization of Deferred Charge on Refunding Bonds	(77,478)	
Accretion on General Obligation Bonds	<u>(357,074)</u>	
Total		536,207

Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.

Property Taxes	(77,236)	
Intergovernmental Grants	<u>193,747</u>	
		116,511

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 2,423,688

Except for amounts reported as deferred inflows/outflows, change in net pension liability are reported as pension expense in the statement of activities. (4,893,044)

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 Vacation Leave Payable	(2,234)	
Increase in Compensated Absences	(29,606)	
Increase in Accrued Interest Payable	(69)	
Total	<u>(31,909)</u>	(31,909)

Change in Net Position of Governmental Activities (\$1,655,637)

See Accompanying Notes to the Basic Financial Statements

Tecumseh Local 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

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Property and Other Taxes	\$7,703,280	\$7,485,772	\$7,484,859	(\$913)
Tuition and Fees	1,493,335	1,626,243	1,626,243	0
Interest	20,401	70,278	70,278	0
Intergovernmental	18,502,300	21,071,337	21,071,337	0
Rent	36,603	36,800	36,800	0
Miscellaneous	67,051	51,033	51,033	0
Total Revenues	<u>27,822,970</u>	<u>30,341,463</u>	<u>30,340,550</u>	<u>(913)</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,533,414	11,812,932	11,812,932	0
Special	3,288,115	4,390,849	4,390,849	0
Vocational	414,258	476,494	476,494	0
Other	13,190	1,240,225	1,240,225	0
Support Services:				
Pupils	1,482,121	1,807,906	1,807,906	0
Instructional Staff	864,217	937,090	937,090	0
Board of Education	57,742	56,458	56,458	0
Administration	2,336,067	2,385,839	2,385,839	0
Fiscal	487,181	634,170	634,170	0
Business	37,355	34,411	32,914	1,497
Operation and Maintenance of Plant	3,284,571	3,344,163	3,174,853	169,310
Pupil Transportation	1,641,329	1,821,625	1,821,625	0
Central	72,555	75,881	75,881	0
Operation of Non-Instructional Services	3,360	1,872	1,872	0
Extracurricular Activities	399,807	413,892	413,892	0
Total Expenditures	<u>25,915,282</u>	<u>29,433,807</u>	<u>29,263,000</u>	<u>170,807</u>
Excess of Revenues Under Expenditures	<u>1,907,688</u>	<u>907,656</u>	<u>1,077,550</u>	<u>169,894</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	35,636	15,349	15,349	0
Insurance Recoveries	148,701	23,594	23,594	0
Refund of Prior Year Expenditure	90,549	972	972	0
Advance In	164,661	181,907	181,907	0
Advance Out	0	(49,129)	(71,543)	(22,414)
Total Other Financing Sources (Uses)	<u>439,547</u>	<u>172,693</u>	<u>150,279</u>	<u>(22,414)</u>
Net Change in Fund Balances	2,347,235	1,080,349	1,227,829	147,480
Fund Balance at Beginning of Year	5,184,082	5,184,082	5,184,082	0
Prior Year Encumbrances Appropriated	1,151,158	1,151,158	1,151,158	0
Fund Balance at End of Year	<u>\$8,682,475</u>	<u>\$7,415,589</u>	<u>\$7,563,069</u>	<u>\$147,480</u>

See Accompanying Notes to the Basic Financial Statements

Tecumseh Local School District
Statement of Assets and Liabilities - Fiduciary Fund
June 30, 2017

	<u>AGENCY</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$99,314</u></u>
Liabilities:	
Due to Students	<u><u>\$99,314</u></u>

See Accompanying Notes to the Basic Financial Statements

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Tecumseh Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as mandated by State statute and federal guidelines.

The School District was established in 1875 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 50 square miles. It is located in Clark County, and includes all of the City of New Carlisle and portions of Bethel and Pike Townships. It is staffed by 168 non-certificated employees, 199 certificated full-time teaching personnel and 21 administrators, who provide services to approximately 3,000 students and other community members. The School District currently operates six instructional buildings, one administrative building, and one garage.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

The School District participates in six jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Miami Valley Educational Computer Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association
Clark County Family and Children First Council
Springfield-Clark Career Technology Center
Tecumseh Education Foundation

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

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

Fund Financial Statements:

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds:

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

General Fund - The general fund is the operating fund of the School District and 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 general laws of Ohio.

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

Fiduciary Fund:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no funds which are classified as trust funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions:

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

Non-exchange 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. 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 fiscal 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 non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources to pension are explained in Note 10.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow 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 10.)

Expenses/Expenditures:

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These depository accounts are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited in the School District Treasury.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based upon quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit are reported at cost.

During fiscal year 2017, the School District invested in certificates of deposit.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$70,278, which includes \$28,239 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported as cash equivalents.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used.

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

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 years
Buildings and Improvements	30 years
Furniture/Equipment/Fixtures	5-10 years
Vehicles	10 years

H. Accrued Liabilities and Long-term Obligations

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

In general, payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences, special termination benefits and contractually required pension contributions 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time for administrators because they can use their balance until the end of August and can request a cash payout of up to 10 days.

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

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

J. Pensions

For purposes of measuring 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.

K. Fund Balance

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

Non-spendable – The non-spendable classification 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' includes items that are not expected to be converted to cash.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

L. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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. Net position restricted for other purposes includes activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. None of the restricted net position amounts were restricted by enabling legislation.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Bond Discounts/Premiums

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, since the results are not significantly different from the effective interest method. Bond premiums/discounts are presented as additions/reductions to the face amount of the bonds payable. On the government-wide fund financial statements, bond premiums and discounts are recognized in the period in which the debt is issued.

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 and are eliminated on the statement of activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

O. 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.

P. Budgetary Data

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2017.

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

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

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 basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP 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 as follows:

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 fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as assigned fund balance (GAAP).
4. Perspective differences as a result of fund structure differences.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
	General
GAAP Basis	\$2,473,420
Net Adjustment for Revenue Accruals	102,890
Net Adjustment for Expenditure Accruals	(348,314)
Perspective Differences	(70,535)
Advances	110,364
Encumbrances	(1,039,996)
Budget Basis	\$1,227,829

NOTE 4 - FUND DEFICITS

The 2016 Other Grant, High Schools That Work, Title IC, Race to the Top, IDEA Part B, Title III Immigrant, Title I, and Title IIA special revenue funds had deficit fund balances at June 30, 2017, of \$75, \$136, \$47,248, \$2,478, \$42,863, \$6,480, \$98,765, and \$20,953, respectively. The fund deficits were caused by applying generally accepted accounting principles. The general fund is responsible for fund deficits, however, transfers are recorded when cash is needed rather than when accruals occur.

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

NOTE 5 - DEPOSITS 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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of the total amount of all public deposits secured by the pool, that are covered by any federal deposit insurance whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$14,382,016 and the bank balance was \$15,213,585. \$14,071,604 of the School District's deposits was insured by federal depository insurance. As of June 30, 2017, \$1,141,981 of the School District's bank balance of \$15,213,585 was collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Investments

At June 30, 2017, the School District did not have any investments.

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer.

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The federal agency securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the School District’s name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Clark County and Miami County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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, public utility property and tangible personal property taxes which are measurable as of June 30, 2017, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources. The amount available as an advance is recognized as revenue. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been shown as a deferred inflow of resources.

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

NOTE 6 - PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2017, was \$1,982,257 in the general fund and \$479,333 in the other governmental funds. The amount available as an advance at June 30, 2016, was \$1,183,984 in the general fund and \$430,407 in the other governmental funds. The amount available as an advance at June 30, 2015, was \$422,519 in the general fund and \$372,432 in the other governmental funds.

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

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$259,483,990	95.7%	\$267,964,890	95.5%
Public Utility Personal	11,672,170	4.3	12,509,530	4.5
Total	<u>\$271,156,160</u>	<u>100.0%</u>	<u>\$280,474,420</u>	<u>100.0%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$46.12		\$45.46	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017, consisted of property taxes, accounts (tuition and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables are as follows:

<u>Intergovernmental Receivable</u>	<u>Amounts</u>
Governmental Activities:	
SFPR	\$53,997
High Schools That Work	420
Title IC - Migrant	230,250
Special Education, Part B IDEA	93,919
LEP III	2,123
Title I	169,348
Title IIA	15,026
Total	<u><u>\$565,083</u></u>

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

NOTE 8 - CAPITAL ASSETS

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

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
Governmental Assets				
<i>Capital Assets, not being depreciated</i>				
Land	\$495,386	\$0	\$0	\$495,386
<i>Capital Assets, being depreciated</i>				
Land Improvements	76,366	-	-	76,366
Building and Improvements	85,414,019	-	-	85,414,019
Furniture/Equipment/Fixtures	3,426,004	36,886	(80,536)	3,382,354
Vehicles	3,069,881	-	(16,735)	3,053,146
Total Capital Assets, being depreciated	91,986,270	36,886	(97,271)	91,925,885
Less: Accumulated Depreciation				
Land Improvements	(33,674)	(5,278)	-	(38,952)
Building and Improvements	(24,301,325)	(2,552,918)	-	(26,854,243)
Furniture/Equipment/Fixtures	(2,324,729)	(145,316)	75,706	(2,394,339)
Vehicles	(2,071,979)	(122,509)	15,062	(2,179,426)
Total Accumulated Depreciation	(28,731,707)	(2,826,021)	90,768	(31,466,960)
Total Capital Assets, being depreciated, net	63,254,563	(2,789,135)	(6,503)	60,458,925
Governmental Activities Capital Assets, net	\$63,749,949	(\$2,789,135)	(\$6,503)	\$60,954,311

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$36,021
Vocational	3,594
Support Services:	
Administration	3,660
Operation and Maintenance of Plant	14,269
Transportation	114,776
Operation of Non-Instructional Services	963
Extracurricular Activities	597
Unallocated Depreciation	2,652,141
Total	<u>\$2,826,021</u>

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

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017, the School District contracted with Arthur J. Gallagher & Co. through the Southwestern Ohio Educational Purchasing Cooperative for property, general liability and automobile insurance.

Coverage provided by Arthur J. Gallagher & Co. is as follows:

Building and Contents-replacement cost	\$250,000,000
Inland Marine Coverage (\$3,500 deductible)	Included above
Crime Insurance (\$5,000 deductible)	500,000
Automobile Liability	1,000,000
School Errors & Omissions Liability	5,000,000
General Liability	3,000,000
Excess Liability	5,000,000
Fiduciary Liability (\$1,500) deductible	1,000,000

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

B. Workers' Compensation

For fiscal year 2017, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

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

NOTE 10 - 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.

Plan Description - School Employees Retirement System (SERS)

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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; 0 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$598,703 for fiscal year 2017. Of this amount \$21,218 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee 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.

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reached 14 percent on July 1, 2016. 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.

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's contractually required contribution to STRS was \$1,824,985 for fiscal year 2017. Of this amount \$314,200 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$9,511,112	\$40,951,204	\$50,462,316
Proportion of the Net Pension Liability	0.1299496%	0.12234095%	
Pension Expense	\$1,092,902	\$3,800,142	\$4,893,044

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$114,276	\$2,401,244	\$2,515,520
Changes of assumptions	464,242	0	464,242
Net difference between projected and actual earnings on pension plan investments	503,445	0	503,445
Changes in proportion and differences			
Difference between School District contributions and proportionate share of contributions	20,919	3,705,555	3,726,474
School District contributions subsequent to the measurement date	598,703	1,824,985	2,423,688
Total Deferred Outflows of Resources	<u>\$1,701,585</u>	<u>\$7,931,784</u>	<u>\$9,633,369</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$0	\$1,495,910	\$1,495,910
Difference between School District contributions and proportionate share of contributions	271,820	47,529	319,349
Total Deferred Inflows of Resources	<u>\$271,820</u>	<u>\$1,543,439</u>	<u>\$1,815,259</u>

\$2,423,688 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	(\$135,661)	(\$381,241)	(\$516,902)
2019	(135,661)	(714,788)	(850,449)
2020	(135,664)	(714,788)	(850,452)
2021	(424,076)	(714,789)	(1,138,865)
2022	0	(2,037,754)	(2,037,754)
Total	(\$831,062)	(\$4,563,360)	(\$5,394,422)

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	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$12,592,119	\$9,511,112	\$6,932,180

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:

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Asset Class	Target		Long-Term Expected	
	Allocation		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	\$54,420,822	\$40,951,204	\$29,588,787

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

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

NOTE 11 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. 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, 0 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$69,955.

The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$69,955, \$64,443, and \$105,686, 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.

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. Medicare Part B premium reimbursements will be discontinued effective Jan. 1, 2019. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio Rev. 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. Of the 14% employer contribution rate, 0% of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016, and 2015. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation leave must be used by each employee prior to the end of their contract year. Administrators may request to have up to 10 days paid. Unused vacation time, earned within a contract year, is paid to classified employees and administrators upon retirement. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 275 days for all personnel, except administrators. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum 62 days for all employees with ten or more years of current service with the School District. Administrators may accumulate up to a maximum of 302 days depending upon their position. Upon retirement, payment is made at 25.2% of the total unused sick leave balance up to a maximum of 76 days depending upon their position.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance through Fort Dearborn, administered by CoreSource. The School District provides health insurance coverage through United Health Care of Ohio, Inc. Each employee share of the total core premium was 17 percent of the monthly premium, with the option of the employee paying for any plan buy-up. Dental insurance is provided through Delta Dental and vision benefits are provided through Vision Service Plan.

NOTE 13 - SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2017, the School District had contractual purchase commitments as follows:

Vendor	Amount	Expended	Balance
MVECA	\$ 275,019	\$ 96,532	\$ 178,487
Duncan Oil	90,000	-	90,000
Ohio Valley Integration Services	50,000	10,812	39,188
Edgenuity, Inc.	98,000	43,500	54,500
R D Holder Oil Co Inc.	90,000	38,250	51,750
Direct Energy	40,000	10,795	29,205
Enterprise Roofing Co.	62,971	-	62,971
	<u>705,990</u>	<u>199,889</u>	<u>506,101</u>

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

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/2016	Additions	Deletions	Amount Outstanding 6/30/2017	Amount Due in One Year
Governmental Activities					
General Obligation Bonds 2004					
Capital Appreciation Bonds	\$409,975	\$0	\$0	\$409,975	\$150,615
Interest Accretion on Capital Appreciation Bonds	1,302,802	213,524	0	1,516,326	599,385
Total - General Obligation Bonds 2004	<u>1,712,777</u>	<u>213,524</u>	<u>0</u>	<u>1,926,301</u>	<u>750,000</u>
Refunding Bonds 2012					
Serial Bonds	6,115,000	0	0	6,115,000	85,000
Term Bonds	1,510,000	0	0	1,510,000	0
Capital Appreciation Bonds	877,759	0	(522,881)	354,878	0
Interest Accretion on Capital Appreciation Bonds	383,760	123,368	(297,119)	210,009	0
Total - Refunding Bonds 2012	<u>8,886,519</u>	<u>123,368</u>	<u>(820,000)</u>	<u>8,189,887</u>	<u>85,000</u>
Refunding Bonds 2013					
Serial Bonds	5,425,000	0	0	5,425,000	0
Term Bonds	340,000	0	0	340,000	55,000
Capital Appreciation Bonds	2,966	0	(2,966)	0	0
Interest Accretion on Capital Appreciation Bonds	31,852	20,182	(52,034)	0	0
Total - Refunding Bonds 2013	<u>5,799,818</u>	<u>20,182</u>	<u>(55,000)</u>	<u>5,765,000</u>	<u>55,000</u>
Total General Obligation Bonds	<u>16,399,114</u>	<u>357,074</u>	<u>(875,000)</u>	<u>15,881,188</u>	<u>890,000</u>
Unamortized Premium on Bonds					
Refunding Bonds 2012	810,260	0	(50,641)	759,619	0
Refunding Bonds 2013	541,410	0	(45,118)	496,292	0
Total Unamortized Premiums on Bonds	<u>1,351,670</u>	<u>0</u>	<u>(95,759)</u>	<u>1,255,911</u>	<u>0</u>
Net Pension Liability					
SERS	7,865,723	1,645,389	0	9,511,112	0
STRS	34,180,015	6,771,189	0	40,951,204	0
Total Net Pension Liability	<u>42,045,738</u>	<u>8,416,578</u>	<u>0</u>	<u>50,462,316</u>	<u>0</u>
Compensated Absences	<u>1,950,076</u>	<u>130,433</u>	<u>(100,827)</u>	<u>1,979,682</u>	<u>22,709</u>
Total Governmental Activities	<u>\$61,746,598</u>	<u>\$8,904,085</u>	<u>(\$1,071,586)</u>	<u>\$69,579,097</u>	<u>\$912,709</u>

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

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds 2004

The School District issued general obligation bonds in 2004 for the construction and renovation of school buildings. The original amount of the bonds was \$20,614,975. Of the general obligation bonds, \$6,710,000 was serial bonds with interest rates ranging from 2% to 4.2% and mature December 31, 2016. The \$13,495,000 in term bonds has interest rates ranging from 4.625% to 4.75% and mature December 31, 2031. \$409,975 is capital appreciation bonds (maturity amount of \$750,000 on December 1, 2017, \$765,000 on December 1, 2018 and \$775,000 on December 1, 2019). A portion of these bonds was refunded during fiscal year 2013.

Refunding Bonds 2012

On December 27, 2012, the School District issued \$8,819,991 in bonds for refunding \$8,820,000 of the 2004 general obligation bonds with interest rates ranging from 4.2% to 4.75%. Of the refunding bonds issued, \$6,350,000 was serial bonds with interest rates ranging from 2-4% and mature December 31, 2031. The \$1,510,000 in term bonds has interest rates ranging from 2-3% and mature December 31, 2028. \$959,991 is capital appreciation bonds (maturity amount of \$115,000 on December 1, 2015, \$820,000 on December 1, 2016 and \$880,000 on December 1, 2020.)

Refunding Bonds 2013

On February 21, 2013, the School District issued \$6,044,997 in bonds for refunding \$6,045,000 of the 2004 general obligation bonds with interest rates ranging from 4.1% to 4.75%. Of the refunding bonds issued, \$5,615,000 was serial bonds with interest rates ranging from 1-3% and mature December 31, 2027. The \$340,000 in term bonds has interest rates ranging from 1.5-2% and mature December 31, 2022. \$89,997 is capital appreciation bonds (maturity amount of \$745,000 on December 1, 2015 and \$55,000 on December 1, 2016.)

Compensated absences will be paid from the general fund and the food service and latchkey funds.

The School District's overall legal debt margin was \$12,369,944 and the un-voted debt margin was \$280,474 at June 30, 2017.

The School District's debt service requirements at June 30, 2017, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$290,615	\$974,811	\$1,265,426
2019	276,499	1,001,402	1,277,901
2020	262,861	1,022,474	1,285,335
2021	409,878	893,700	1,303,578
2022	950,000	358,624	1,308,624
2023-2027	5,290,000	1,472,066	6,762,066
2028-2032	6,675,000	645,975	7,320,975
Total	14,154,853	6,369,052	<u>\$20,523,905</u>
Accretion	1,726,335	(1,726,335)	
	<u>\$15,881,188</u>	<u>\$4,642,717</u>	

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

NOTE 15 – FUND BALANCE

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

<u>Fund Balance</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventory	\$ 29,169	\$ 22,640	\$ 51,809
Permanent Fund Principal	-	2,000	2,000
Unclaimed Checks	50,863	-	50,863
Total Nonspendable	<u>80,032</u>	<u>24,640</u>	<u>104,672</u>
Restricted for:			
Food Service	-	1,148,503	1,148,503
Classroom Maintenance	-	1,562,194	1,562,194
Athletics	-	52,320	52,320
Permanent Fund	-	424	424
Capital Improvements	-	1,557,830	1,557,830
Debt Service	-	1,282,099	1,282,099
State and Federal Grants	-	34,445	34,445
Total Restricted	<u>-</u>	<u>5,637,815</u>	<u>5,637,815</u>
Assigned for:			
Latchkey	97,713	-	97,713
Unpaid Obligations	1,091,541	-	1,091,541
Public School Support	103,173	-	103,173
Donnelsville Parent Center	74	-	74
Total Assigned	<u>1,292,501</u>	<u>-</u>	<u>1,292,501</u>
Unassigned	<u>7,350,089</u>	<u>(218,998)</u>	<u>7,131,091</u>
Total Fund Balance	<u>\$ 8,722,622</u>	<u>\$ 5,443,457</u>	<u>\$ 14,166,079</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Greene, Highland, Fayette, Montgomery, Ross and Madison Counties. The 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 school districts. The governing board of MVECA consists of seven representatives from the member districts. Not less than two members are superintendents of the member districts and not less than two are treasurers of the member districts.

The School District paid MVECA \$100,599 for services provided during the fiscal year. Financial information can be obtained from Thor Sage, Executive Director, at MVECA at 330 East Enon Road, Yellow Springs, Ohio 45387.

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS (continued)

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 180 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2017, the School District paid \$125,319 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2017, the School District made \$4,650 in payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Gary Greenburg, who serves as Executive Director, at 1205 E. Fifth Street, Dayton, OH 45402.

Clark County Family and Children First Council - The Clark County Family and Children First Council (FCFC) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS (continued)

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Tecumseh Local School District did not have any payments to the FCFC during fiscal year 2017.

Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Leslie Crew, who serves as Executive Director, at 1345 Lagonda Avenue, Springfield, Ohio 45505.

Springfield-Clark Career Technology Center - The Springfield-Clark Career Technology Center (CTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Tecumseh Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District.

The School District did not make any financial contributions to the CTC during fiscal year 2017. To obtain financial information, write to the Springfield-Clark Career Technology Center, Steven Clark, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

Tecumseh Education Foundation – The Tecumseh Education Foundation (TEF) is a non-profit community organization of business, civic, industry and educational interests whose purpose is to secure and distribute contributions to assist the School District in enabling students to achieve their individual potential. The Board of Trustees is comprised of eleven representatives who are nominated and elected by a majority vote by the present trustees. One member of the Tecumseh Local School District Board is designated annually by the Tecumseh Local School District Board to serve as one of the eleven trustees.

Each of the elected trustees serves a three year term, with one-third of the trustees being elected every year. The Superintendent of the School District will serve in an ex officio capacity on a continuing basis. Officers of the TEF are elected annually by the Board of Trustees. The officers of the foundation shall consist of a President, a Vice-President, a Secretary, a Treasurer and other offices as the Board of Trustees may appoint. The President and Vice-President of the Board of Trustees shall be members of the Board of Trustees. The Secretary and Treasurer need not be members of the Board of Trustees.

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS (continued)

The School District is not able to impose its will on the TEF and no financial benefit/burden relationship exists. The TEF is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The School District did not contribute any money to the TEF during fiscal year 2017. During fiscal year 2008, the TEF received an endowment for \$2.4 million that is to be used to provide scholarships to Tecumseh LSD graduates. The money was turned over to the Springfield Foundation to administer the program. To obtain financial information write to the Tecumseh Educational Foundation, Kevin Harmon, who serves as President, at P.O. Box 305, New Carlisle, Ohio 45344.

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a eleven member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

NOTE 17 - SET-ASIDE CALCULATIONS

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

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2017.

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

NOTE 17 - SET-ASIDE CALCULATIONS (continued)

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	545,764
Offsets - Capital Maintenance Levy	(230,598)
Prior Year Offset from Bond Proceeds	(230,749)
Qualifying Disbursements	(84,417)
Totals	\$0
Set-aside Balances Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balances as of June 30, 2017	\$0

Although the School District had qualifying disbursements and offsets that reduced the capital acquisitions set-aside below zero, the negative amount can only be carried forward to the extent of the expenditures from bond proceeds.

The District had current year offsets that reduced the capital improvements set-aside amount to zero. During prior years, District issued capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$18,348,653 at June 30, 2017.

In accordance with legislative requirements, the School District continues to maintain funds in the amount \$80,264 that were related to workers' compensation rebates in the budget stabilization reserve, which has been combined with the general fund. The School District's budget stabilization account is comprised entirely of workers' compensation rebate funds.

NOTE 17 – INTERFUND TRANSACTIONS

At June 30, 2017, the School District had a short-term interfund loan with the General Fund in the amount of \$72,006. The following funds owed the General Fund:

Fund	Amount
2016 Other Grant	\$75
High Schools That Work	556
Title IC	42,475
Race to the Top	2,478
IDEA Part B	4,547
Title III Immigrant	1,129
Title 1	15,289
Title IIA	5,457
Total	\$72,006

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

NOTE 18 - CONTINGENCIES

Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

Litigation

There are currently no matters in litigation with the School District as defendant.

Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional School Districts must comply with minimum hours of instructions, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the School District. The School District has recognized a receivable, in the amount of \$53,997 to account for adjustments to date.

NOTE 19 – TAX ABATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, the County is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

Enterprise Zone Program

The Ohio Enterprise Zone Program is an economic development tool administered by municipal and county governments that provides real property tax exemptions to businesses making investments in Ohio. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program can provide tax exemptions for a portion of the value of new real property investment when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are not eligible. The zone's geographic area is identified by the local communities involved in the creation of the zone. Once a zone is defined, the local legislative authority participating in the creation must petition the Director of ODSA. The Director must then certify the area for it to become an active Enterprise Zone.

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

NOTE 19 – TAX ABATEMENTS (continued)

Local communities may offer tax incentives for non-retail projects that are establishing or expanding operations in the State of Ohio. Tax incentives are negotiated at the local level, and an enterprise zone agreement must be in place before the project begins.

Businesses located in an Enterprise Zone may negotiate exemptions on new property tax from investment for up to seventy-five percent for ten years. For commercial projects, job retention and/or creation is also required. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. Agreements must be in place before the project begins. Pursuant to the terms of such agreements, if the actual number of employee positions created or retained by the business in any three-year period during which the agreement is in effect is not equal to or greater than seventy-five percent of the number of employee positions estimated to be created or retained under the agreement, the business shall repay the amount of taxes on property that would have been payable had the property not been exempted. In addition, the local governments may terminate or modify the exemptions from taxation granted under the agreement if the terms of the agreement are not met.

Tecumseh Local School District falls within an enterprise zone created by Clark County. In 2013, Blackhorse Energy LLC entered into an agreement with Clark County for a 10 year, 60% tax abatement. Taxes foregone by the School District was \$12,528 for 2016.

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” This statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement provides guidance for the pension plans. The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 77, “Tax Abatement Disclosures.” This statement requires governments that enter into tax abatement agreements to disclose information to make these transactions more transparent to the financial statement users. See Note 19 for tax abatement disclosures.

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board Statement No. 80, “Requirements for Certain Component Units-An Amendment of GASB Statement No. 14.” This statement amends the blending requirements for financial statement presentation of component units. The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board Statement No. 81, “Irrevocable Split-Interest Agreements.” This statement improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this statement had no effect on the financial statements of the School District.

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

NOTE 21 – SUBSEQUENT EVENT

The School District assessed events occurring subsequent to June 30, 2017, for potential recognition and disclosure in the financial statements and no such events were identified.

Tecumseh Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

	2016	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.1299496%	0.1378480%	0.1391220%	0.1391220%
School District's Proportionate Share of the Net Pension Liability	\$9,511,112	\$7,865,723	\$7,040,888	\$8,273,139
School District's Covered Employee Payroll	\$4,035,750	\$4,408,134	\$4,083,442	\$3,977,399
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.67%	178.44%	172.43%	208.00%
Plan Fiduciary Net Position as a Percentage Of the Total Net Pension Liability	62.98%	69.16%	71.70%	65.62%

(1) Information Prior to 2013 is not available

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.12234095%	0.12367450%	0.12182569%	0.12182569%
School District's Proportionate Share of the Net Pension Liability	\$40,951,204	\$34,180,015	\$29,632,225	\$35,297,711
School District's Covered Employee Payroll	\$12,814,350	\$12,903,364	\$13,404,700	\$13,448,392
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	319.57%	264.89%	221.06%	262.47%
Plan Fiduciary Net Position as a Percentage Of the Total Net Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information Prior to 2013 is not available

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$598,703	\$565,005	\$580,992	\$565,965
Contributions in Relation to the Contractually Required Contribution	<u>(598,703)</u>	<u>(565,005)</u>	<u>(580,992)</u>	<u>(565,965)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered-Employee Payroll	\$4,276,450	\$4,035,750	\$4,408,134	\$4,083,442
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$550,472	\$532,682	\$528,840	\$363,137	\$398,173	\$349,866
<u>(550,472)</u>	<u>(532,682)</u>	<u>(528,840)</u>	<u>(363,137)</u>	<u>(398,173)</u>	<u>(349,866)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,977,399	\$3,960,461	\$4,207,160	\$2,681,957	\$4,046,474	\$3,562,790
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$1,824,985	\$1,794,009	\$1,806,471	\$1,742,611
Contributions in Relation to the Contractually Required Contribution	<u>(1,824,985)</u>	<u>(1,794,009)</u>	<u>(1,806,471)</u>	<u>(1,742,611)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered-Employee Payroll	\$13,035,607	\$12,814,350	\$12,903,364	\$13,404,700
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$1,748,291	\$1,737,882	\$1,859,640	\$1,889,497	\$1,815,352	\$1,808,126
<u>(1,748,291)</u>	<u>(1,737,882)</u>	<u>(1,859,640)</u>	<u>(1,889,497)</u>	<u>(1,815,352)</u>	<u>(1,808,126)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$13,448,392	\$13,368,323	\$14,304,923	\$14,534,592	\$13,964,246	\$13,908,662
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	\$ 335,366		\$ 335,366	
National School Lunch Program:						
Cash Assistance	10.555	N/A	814,227		814,227	
Non-Cash Assistance (Food Distribution)	10.555			\$ 119,658		\$ 104,090
Total National School Lunch Program			<u>814,227</u>	<u>119,658</u>	<u>814,227</u>	<u>104,090</u>
Total Child Nutrition Cluster			<u>1,149,593</u>	<u>119,658</u>	<u>1,149,593</u>	<u>104,090</u>
Total U.S. Department of Agriculture			<u>1,149,593</u>	<u>119,658</u>	<u>1,149,593</u>	<u>104,090</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	N/A	879,983		845,775	
Migrant Education State Grant Program	84.011	N/A	103,909		140,124	
Special Education Cluster (IDEA):						
Special Education Grants to States	84.027	N/A	663,416		608,586	
Special Education Preschool Grants	84.173	N/A	24,669		24,669	
Total Special Education Cluster (IDEA)			<u>688,085</u>		<u>633,255</u>	
English Language Acquisition State Grants	84.365	N/A	89,639		87,586	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	N/A	133,825		119,541	
Total U.S. Department of Education			<u>1,895,441</u>		<u>1,826,281</u>	
Total Federal Awards Expenditures			<u>\$3,045,034</u>	<u>\$119,658</u>	<u>\$2,975,874</u>	<u>\$104,090</u>

There were no amounts passed through to subrecipients.

The accompanying notes are an integral part of this schedule.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts and 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.



Dave Yost • Auditor of State

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

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Tecumseh Local School District, Clark County, (the District) as of and for the fiscal 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 February 27, 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.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 27, 2018



Dave Yost • Auditor of State

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

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Tecumseh Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Tecumseh Local School District's major federal program for the fiscal 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 program.

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.

Opinion on the Major Federal Program

In our opinion, Tecumseh Local 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 fiscal 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 the 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

February 27, 2018

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK 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 Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	No
(d)(1)(vii)	Major Program (list):	Child Nutrition Cluster
(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

TECUMSEH LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 13, 2018