



Dave Yost • Auditor of State

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY
JUNE 30, 2017 AND 2016**

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**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY
JUNE 30, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Antwerp Local School District
Paulding County
303 South Harrmann Road
Antwerp, Ohio 45813-9574

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Antwerp Local School District, Paulding County, Ohio (the District), as of and for the years ended June 30, 2017 and 2016, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is responsible for 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Antwerp Local School District, Paulding County, Ohio, as of June 30, 2017 and 2016, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 17, 2018

Antwerp Local School District
Paulding County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(UNAUDITED)

The discussion and analysis of the Antwerp Local School District's (the "School District") 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 performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position increased \$730,414 primarily due to an increase in state foundation receipts outpacing the increase in regular instruction and operation and maintenance disbursements.
- Outstanding debt decreased from \$1,420,000 to \$1,220,000 through principal payments made during the current year.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Antwerp Local School District as a whole, 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. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2017, the General Fund, Bond Retirement Fund, and Permanent Improvement Fund are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Antwerp Local School District
Paulding County, Ohio
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 the 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 fiscal year 2017?" The statement of net position and the statement of activities answer this question.

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

In the statement of net position and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and operation of non-instructional services (i.e., food service).

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General Fund, Bond Retirement Fund and Permanent Improvement 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 year-end available for spending in future periods. These funds are reported using the cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. These funds also use the cash basis of accounting.

Antwerp Local School District
Paulding County, Ohio
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 2016.

(Table 1)
Net Position – Cash Basis

| | Governmental Activities | |
|--|-------------------------|--------------|
| | 2017 | 2016 |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 6,099,416 | \$ 5,369,002 |
| Net Position | | |
| Restricted for: | | |
| Capital Outlay | \$ 350,884 | \$ 375,044 |
| Debt Service | 458,734 | 472,168 |
| Other Purposes | 266,400 | 197,468 |
| Unrestricted | 5,023,398 | 4,324,322 |
| <i>Total Net Position</i> | \$ 6,099,416 | \$ 5,369,002 |

Net position of the governmental activities increased \$730,414 which represents a 14 percent increase from fiscal year 2016. The increase in equity in pooled cash and cash equivalents as well as unrestricted net position can be primarily attributed to an increase in state foundation receipts in fiscal year 2017. The increase in revenues outpaced the increase in regular instruction and operation and maintenance disbursements in fiscal year 2017.

A portion of the School District's net position, \$1,076,018 or 18 percent represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$5,023,398 may be used to meet the School District's ongoing obligations.

Antwerp Local School District
Paulding County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(UNAUDITED)
(Continued)

Table 2 shows the changes in net position for fiscal year 2017 as compared to fiscal year 2016.

(Table 2)
Changes in Net Position – Cash Basis

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2017 | 2016 |
| Receipts | | |
| Program Receipts | | |
| Charges for Services and Sales | \$ 912,065 | \$ 823,148 |
| Operating Grants, Contributions and Interest | 837,707 | 750,987 |
| <i>Total Program Receipts</i> | <u>1,749,772</u> | <u>1,574,135</u> |
| General Receipts | | |
| Property Taxes | 1,901,800 | 1,830,379 |
| Income Taxes | 1,146,845 | 1,112,075 |
| Grants and Entitlements not Restricted to | | |
| Specific Programs | 4,814,944 | 4,339,208 |
| Proceeds from Sale of Capital Assets | 5,390 | 0 |
| Investment Earnings | 40,914 | 27,255 |
| Miscellaneous | 39,582 | 6,557 |
| <i>Total General Receipts</i> | <u>7,949,475</u> | <u>7,315,474</u> |
| <i>Total Receipts</i> | <u>9,699,247</u> | <u>8,889,609</u> |
| Program Disbursements | | |
| Instruction: | | |
| Regular | 3,694,894 | 3,443,626 |
| Special | 851,884 | 786,177 |
| Adult/Continuing | 3,447 | 5,000 |
| Other | 137,570 | 139,183 |
| Support Services: | | |
| Pupils | 227,015 | 229,525 |
| Instructional Staff | 450,180 | 432,664 |
| Board of Education | 10,792 | 12,563 |
| Administration | 777,836 | 700,002 |
| Fiscal | 269,858 | 274,352 |
| Business | 4,103 | 5,837 |
| Operation and Maintenance of Plant | 1,254,511 | 1,038,650 |
| Pupil Transportation | 373,776 | 344,795 |
| Central | 19,868 | 26,975 |
| Operation of Non-Instructional Services: | | |
| Food Service Operations | 224,038 | 214,384 |
| Extracurricular Activities | 331,254 | 318,633 |
| Capital Outlay | 93,557 | 5,533 |
| Debt Service: | | |
| Principal Retirement | 200,000 | 195,000 |
| Interest and Fiscal Charges | 44,250 | 50,175 |
| <i>Total Program Disbursements</i> | <u>8,968,833</u> | <u>8,223,074</u> |
| <i>Change in Net Position</i> | 730,414 | 666,535 |
| <i>Net Position Beginning of Year</i> | <u>5,369,002</u> | <u>4,702,467</u> |
| <i>Net Position End of Year</i> | <u>\$ 6,099,416</u> | <u>\$ 5,369,002</u> |

Antwerp Local School District
Paulding County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(UNAUDITED)
(Continued)

Unrestricted grants and entitlements increased due to increases in capacity aid funding and other state funding in fiscal year 2017. Capacity funding provides additional funding for school districts whose income generated for one mill of property tax is below the state median.

Regular instruction disbursements increased by \$251,268 primarily due to the purchase of computers and increases in employee benefits. Operation and maintenance of plant disbursements increased by \$215,861 due to significant capital improvement projects initiated by the School District during fiscal year 2017.

Governmental Activities

Several receipt sources fund the School District's governmental activities with the school foundation program being the largest contributor. School foundation provided approximately \$4.3 million in fiscal year 2017. Property and income tax levies generated approximately \$3 million in fiscal year 2017. With the combination of taxes and intergovernmental funding comprising 81 percent of receipts in governmental activities, the School District monitors both of these receipt sources very closely for fluctuations.

The majority of program disbursements for governmental activities are for instruction, which accounts for 52 percent of all governmental disbursements. Other programs which support the instruction process account for 38 percent of governmental disbursements. The remaining 10 percent of the School District's disbursements are related to the primary functions of delivering education and providing facilities.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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Antwerp Local School District
Paulding County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(UNAUDITED)
(Continued)

(Table 3)
Governmental Activities – Cash Basis

| | Total Costs of Services | | Net Costs of Services | |
|---|-------------------------|---------------------|-----------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| <i>Program Disbursements</i> | | | | |
| Instruction: | | | | |
| Regular | \$ 3,694,894 | \$ 3,443,626 | \$ 3,033,026 | \$ 2,841,232 |
| Special | 851,884 | 786,177 | 221,657 | 198,298 |
| Adult/Continuing | 3,447 | 5,000 | 3,447 | 5,000 |
| Other | 137,570 | 139,183 | 137,570 | 139,183 |
| Support Services: | | | | |
| Pupils | 227,015 | 229,525 | 227,015 | 229,525 |
| Instructional Staff | 450,180 | 432,664 | 426,384 | 404,587 |
| Board of Education | 10,792 | 12,563 | 10,792 | 12,563 |
| Administration | 777,836 | 700,002 | 777,836 | 700,002 |
| Fiscal | 269,858 | 274,352 | 269,858 | 274,352 |
| Business | 4,103 | 5,837 | 4,103 | 5,837 |
| Operation and Maintenance of Plant | 1,254,511 | 1,038,650 | 1,214,818 | 1,038,650 |
| Pupil Transportation | 373,776 | 344,795 | 373,776 | 344,795 |
| Central | 19,868 | 26,975 | 19,868 | 26,975 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 224,038 | 214,384 | (18,998) | (8,913) |
| Extracurricular Activities | 331,254 | 318,633 | 180,102 | 186,145 |
| Capital Outlay | 93,557 | 5,533 | 93,557 | 5,533 |
| Debt Service: | | | | |
| Principal Retirement | 200,000 | 195,000 | 200,000 | 195,000 |
| Interest and Fiscal Charges | 44,250 | 50,175 | 44,250 | 50,175 |
| Total | \$ 8,968,833 | \$ 8,223,074 | \$ 7,219,061 | \$ 6,648,939 |

The dependence upon tax receipts and unrestricted grants and entitlements is apparent in the previous table. Program receipts only account for 20 percent of all governmental expenses.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$6,099,416, which is higher than the prior year balance of \$5,369,002.

The General Fund's fund balance increased \$733,881 in 2017. The increase in fund balance can be attributed to the increase in state foundation receipts.

Antwerp Local School District
Paulding County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(UNAUDITED)
(Continued)

The Permanent Improvement Fund's fund balance decreased \$24,160 in 2017. The decrease in fund balance is primarily due to the timing of the collection of receipts as compared to the disbursements for capital projects.

The Bond Retirement Fund's fund balance decreased \$13,434 in 2017. The decrease in fund balance is primarily due to the timing of tax receipts versus debt payments.

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. For the General Fund, final budget basis receipts excluding other financing sources were \$8,357,560, representing an increase of \$792,214 from the original estimate of \$7,565,346. All revenue sources contributed to the increase in budgeted receipts. Actual receipts excluding other financing sources of \$8,349,498 were slightly lower than the final budget.

For fiscal year 2017, the General Fund final budget basis disbursements were \$8,187,930 representing an increase of \$496,356 from the original estimate of \$7,691,574. The increase is not attributable to any one budgeted line item but from budgeted increases throughout. Actual disbursements of \$7,674,394 were \$513,536 lower than the final budget due to cost savings in the School District.

There were no significant variances to discuss within other financing sources and uses.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2017 and 2016.

(Table 4)
Outstanding Debt, at June 30

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2017 | 2016 |
| 2012 Refunding Bonds - Serial and Term Bonds | <u>\$ 1,220,000</u> | <u>\$ 1,420,000</u> |

For further information regarding the School District's debt, refer to Note 10 of the basic financial statements.

Antwerp Local School District
Paulding County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(UNAUDITED)
(Continued)

Current Issues

The Antwerp Local School District is maintaining its consistency in a state of a declining local economy and uncertainty in State funding. The School District is a small, rural community of 1,850 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

In November, 2016, the School District renewed a five year 2.9 mill permanent improvement levy to generate \$144,555 annually. This levy provides a source of funds for the financial operations and stability of the School District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools considering the DeRolph court case and the long term effects of public utility deregulation as well as the reduction of personal property for business inventory. As the preceding information shows, the School District relies heavily on its local taxpayers.

Real estate tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

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 any questions about this report or need additional financial information, contact Kristine Stuart, Treasurer, Antwerp Local School District, 303 South Harrmann Road, Antwerp, OH 45813-9574.

Antwerp Local School District
Paulding County, Ohio

Statement of Net Position - Cash Basis
June 30, 2017

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalent: | <u>\$ 6,099,416</u> |
| Net Position | |
| Restricted for: | |
| Capital Outlay | \$ 350,884 |
| Debt Service | 458,734 |
| Other Purposes | 266,400 |
| Unrestricted | <u>5,023,398</u> |
| <i>Total Net Position</i> | <u>\$ 6,099,416</u> |

See accompanying notes to the basic financial statements.

**Antwerp Local School District
Paulding County, Ohio**

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2017*

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Position |
|--|-----------------------|--------------------------------------|---|--|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants, Contributions and Interest | Governmental Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$ 3,694,894 | \$ 575,917 | \$ 85,951 | \$ (3,033,026) |
| Special | 851,884 | 53,451 | 576,776 | (221,657) |
| Adult/Continuing | 3,447 | 0 | 0 | (3,447) |
| Other | 137,570 | 0 | 0 | (137,570) |
| Support Services: | | | | |
| Pupils | 227,015 | 0 | 0 | (227,015) |
| Instructional Staff | 450,180 | 0 | 23,796 | (426,384) |
| Board of Education | 10,792 | 0 | 0 | (10,792) |
| Administration | 777,836 | 0 | 0 | (777,836) |
| Fiscal | 269,858 | 0 | 0 | (269,858) |
| Business | 4,103 | 0 | 0 | (4,103) |
| Operation and Maintenance of Plant | 1,254,511 | 0 | 39,693 | (1,214,818) |
| Pupil Transportation | 373,776 | 0 | 0 | (373,776) |
| Central | 19,868 | 0 | 0 | (19,868) |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 224,038 | 131,545 | 111,491 | 18,998 |
| Extracurricular Activities | 331,254 | 151,152 | 0 | (180,102) |
| Capital Outlay | 93,557 | 0 | 0 | (93,557) |
| Debt Service: | | | | |
| Principal Retirement | 200,000 | 0 | 0 | (200,000) |
| Interest and Fiscal Charges | 44,250 | 0 | 0 | (44,250) |
| Totals | <u>\$ 8,968,833</u> | <u>\$ 912,065</u> | <u>\$ 837,707</u> | <u>(7,219,061)</u> |

General Receipts

| | |
|---|---------------------|
| Property Taxes Levied for: | |
| General Purposes | 1,564,171 |
| Debt Service | 204,957 |
| Capital Outlay | 132,672 |
| Income Taxes Levied for: | |
| General Purposes | 1,121,656 |
| Building Maintenance | 25,189 |
| Grants and Entitlements not Restricted to Specific Programs | 4,814,944 |
| Proceeds from Sale of Capital Assets | 5,390 |
| Investment Earnings | 40,914 |
| Miscellaneous | 39,582 |
| Total General Receipts | <u>7,949,475</u> |
| Change in Net Position | 730,414 |
| Net Position Beginning of Year | <u>5,369,002</u> |
| Net Position End of Year | <u>\$ 6,099,416</u> |

See accompanying notes to the basic financial statements.

**Antwerp Local School District
Paulding County, Ohio**

*Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2017*

| | <u>General Fund</u> | <u>Permanent Improvement Fund</u> | <u>Bond Retirement Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------------------|---------------------------------|---|---|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 5,077,637 | \$ 350,884 | \$ 458,734 | \$ 212,161 | \$ 6,099,416 |
| Fund Balances | | | | | |
| Restricted | \$ 54,239 | \$ 350,884 | \$ 458,734 | \$ 212,161 | \$ 1,076,018 |
| Assigned | 25,368 | 0 | 0 | 0 | 25,368 |
| Unassigned | 4,998,030 | 0 | 0 | 0 | 4,998,030 |
| <i>Total Fund Balances</i> | <u>\$ 5,077,637</u> | <u>\$ 350,884</u> | <u>\$ 458,734</u> | <u>\$ 212,161</u> | <u>\$ 6,099,416</u> |

See accompanying notes to the basic financial statements.

Antwerp Local School District
Paulding County, Ohio

*Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2017*

| | General Fund | Permanent Improvement Fund | Bond Retirement Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------|-------------------------|--------------------------------|--------------------------------|
| Receipts | | | | | |
| Property and Other Local Taxes | \$ 1,564,172 | \$ 132,672 | \$ 204,957 | \$ 0 | \$ 1,901,801 |
| Income Taxes | 1,121,656 | 0 | 0 | 25,189 | 1,146,845 |
| Intergovernmental | 5,049,869 | 18,353 | 30,523 | 548,218 | 5,646,963 |
| Investment Income | 40,914 | 0 | 0 | 0 | 40,914 |
| Tuition and Fees | 614,149 | 0 | 0 | 0 | 614,149 |
| Extracurricular Activities | 15,219 | 0 | 0 | 151,150 | 166,369 |
| Gifts and Donations | 0 | 0 | 0 | 6,200 | 6,200 |
| Charges for Services | 0 | 0 | 0 | 131,034 | 131,034 |
| Miscellaneous | 22,767 | 0 | 0 | 16,815 | 39,582 |
| <i>Total Receipts</i> | <u>8,428,746</u> | <u>151,025</u> | <u>235,480</u> | <u>878,606</u> | <u>9,693,857</u> |
| Disbursements | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 3,592,544 | 2,577 | 0 | 99,773 | 3,694,894 |
| Special | 582,726 | 0 | 0 | 269,158 | 851,884 |
| Adult/Continuing | 3,447 | 0 | 0 | 0 | 3,447 |
| Other | 137,570 | 0 | 0 | 0 | 137,570 |
| Support Services: | | | | | |
| Pupils | 227,015 | 0 | 0 | 0 | 227,015 |
| Instructional Staff | 426,384 | 0 | 0 | 23,796 | 450,180 |
| Board of Education | 10,792 | 0 | 0 | 0 | 10,792 |
| Administration | 774,186 | 0 | 0 | 3,650 | 777,836 |
| Fiscal | 262,179 | 3,015 | 4,664 | 0 | 269,858 |
| Business | 4,103 | 0 | 0 | 0 | 4,103 |
| Operation and Maintenance of Plant | 1,138,088 | 30,154 | 0 | 86,269 | 1,254,511 |
| Pupil Transportation | 327,894 | 45,882 | 0 | 0 | 373,776 |
| Central | 19,868 | 0 | 0 | 0 | 19,868 |
| Extracurricular Activities | 193,459 | 0 | 0 | 137,795 | 331,254 |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 0 | 0 | 0 | 224,038 | 224,038 |
| Capital Outlay | 0 | 93,557 | 0 | 0 | 93,557 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 0 | 200,000 | 0 | 200,000 |
| Interest and Fiscal Charges | 0 | 0 | 44,250 | 0 | 44,250 |
| <i>Total Disbursements</i> | <u>7,700,255</u> | <u>175,185</u> | <u>248,914</u> | <u>844,479</u> | <u>8,968,833</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>728,491</u> | <u>(24,160)</u> | <u>(13,434)</u> | <u>34,127</u> | <u>725,024</u> |
| Other Financing Sources | | | | | |
| Proceeds from Sale of Capital Assets | 5,390 | 0 | 0 | 0 | 5,390 |
| <i>Net Change in Fund Balances</i> | 733,881 | (24,160) | (13,434) | 34,127 | 730,414 |
| <i>Fund Balances Beginning of Year</i> | <u>4,343,756</u> | <u>375,044</u> | <u>472,168</u> | <u>178,034</u> | <u>5,369,002</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 5,077,637</u> | <u>\$ 350,884</u> | <u>\$ 458,734</u> | <u>\$ 212,161</u> | <u>\$ 6,099,416</u> |

See accompanying notes to the basic financial statements.

**Antwerp Local School District
Paulding County, Ohio**

*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2017*

| | Original | Final | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$ 1,509,810 | \$ 1,564,310 | \$ 1,564,172 | \$ (138) |
| Income Tax | 1,097,755 | 1,121,755 | 1,121,656 | (99) |
| Intergovernmental | 4,433,281 | 5,054,053 | 5,049,869 | (4,184) |
| Interest | 25,000 | 40,000 | 40,914 | 914 |
| Tuition and Fees | 498,000 | 575,364 | 571,659 | (3,705) |
| Gifts and Donations | 500 | 500 | 150 | (350) |
| Rent | 500 | 500 | 0 | (500) |
| Miscellaneous | 500 | 1,078 | 1,078 | 0 |
| <i>Total Receipts</i> | <u>7,565,346</u> | <u>8,357,560</u> | <u>8,349,498</u> | <u>(8,062)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,611,268 | 3,674,088 | 3,548,660 | 125,428 |
| Special | 557,750 | 639,873 | 582,726 | 57,147 |
| Adult/Continuing | 5,000 | 5,000 | 3,447 | 1,553 |
| Other | 150,000 | 150,000 | 137,570 | 12,430 |
| Support Services: | | | | |
| Pupils | 243,672 | 245,797 | 227,015 | 18,782 |
| Instructional Staff | 435,279 | 448,884 | 427,282 | 21,602 |
| Board of Education | 12,150 | 13,140 | 10,792 | 2,348 |
| Administration | 742,649 | 817,565 | 774,186 | 43,379 |
| Fiscal | 243,492 | 288,851 | 262,179 | 26,672 |
| Business | 4,500 | 6,500 | 4,103 | 2,397 |
| Operation and Maintenance of Plant | 1,085,997 | 1,285,497 | 1,155,213 | 130,284 |
| Pupil Transportation | 357,685 | 371,595 | 327,894 | 43,701 |
| Central | 28,000 | 24,000 | 19,868 | 4,132 |
| Extracurricular Activities | 214,132 | 217,140 | 193,459 | 23,681 |
| <i>Total Disbursements</i> | <u>7,691,574</u> | <u>8,187,930</u> | <u>7,674,394</u> | <u>513,536</u> |
| <i>Excess of Revenues Over (Under) Disbursements</i> | <u>(126,228)</u> | <u>169,630</u> | <u>675,104</u> | <u>505,474</u> |
| Other Financing Sources | | | | |
| Proceeds from Sale of Capital Assets | 0 | 5,390 | 5,390 | 0 |
| Refund of Prior Year Expenditures | 0 | 21,976 | 21,539 | 437 |
| <i>Total Other Financing Sources</i> | <u>0</u> | <u>27,366</u> | <u>26,929</u> | <u>437</u> |
| <i>Net Change in Fund Balance</i> | (126,228) | 196,996 | 702,033 | 505,037 |
| <i>Fund Balance Beginning of Year</i> | 3,968,972 | 3,968,972 | 3,968,972 | 0 |
| Prior Year Encumbrances Appropriated | 330,769 | 330,769 | 330,769 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$ 4,173,513</u> | <u>\$ 4,496,737</u> | <u>\$ 5,001,774</u> | <u>\$ 505,037</u> |

See accompanying notes to the basic financial statements

Antwerp Local School District
Paulding County, Ohio

Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2017

| | <u>Private Purpose Trust</u> | <u>Agency</u> |
|--|----------------------------------|------------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 24,713</u> | <u>\$ 40,961</u> |
| Net Position | | |
| Held in Trust for Scholarships | <u>\$ 24,713</u> | |
| Held on Behalf of Student Activities | | <u>\$ 40,961</u> |

See accompanying notes to the basic financial statements.

Antwerp Local School District
Paulding County, Ohio

Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

| | Private Purpose |
|--|-----------------|
| | Scholarship |
| Additions | |
| Gifts and Contributions | \$ 1,500 |
| Interest | 261 |
| | 1,761 |
| Deductions | |
| Payments in Accordance with Trust Agreements | 3,262 |
| <i>Change in Net Position</i> | (1,501) |
| <i>Net Position Beginning of Year</i> | 26,214 |
| <i>Net Position End of Year</i> | \$ 24,713 |

See accompanying notes to the basic financial statements.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in Paulding County and consists of one facility and is staffed by non-certificated employees and certificated full-time teaching personnel who provide services to students as well as other community members.

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure 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 Antwerp Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with two organizations, which are defined as jointly governed organizations and three insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, Ohio School Boards Association Workers' Compensation Group Rating Program, Paulding County School Consortium’s Employee Insurance Benefits Program and the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

The School District’s management believes these financial statements present all activities for which the School District is financially accountable.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. *Basis of Presentation*

The School District's basic financial statements consist of government-wide financial 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 statement of activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

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 receipts 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 receipts 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. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general resources 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 statement is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

B. *Fund Accounting*

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets or fund equity, receipts and disbursements. Funds of the School District are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

The funds of the financial reporting entity are described below:

Governmental Funds/Governmental Activities

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund - The General Fund is the primary operating fund of the School District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The General Fund balance is available to the School District for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

Permanent Improvement Fund - The Permanent Improvement capital projects fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for and the payment of principal and interest on the School District's notes and general obligation bonds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include a private purpose trust fund and agency funds. The School District's private purpose trust fund accounts for scholarships for students. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

C. *Basis of Accounting*

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

D. *Budgetary Process*

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution Report, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control established by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds, are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amount reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

E. Cash and Cash Equivalents

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

For purposes of financial reporting, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2017 were \$40,914, which includes \$7,883 assigned from other School District funds.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not reflect these items as assets.

H. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Compensated Absences

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused vacation and sick. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

K. Long-Term Debt

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. The debt proceeds are reported as other financing sources when received and payment of principal and interest reported as disbursements when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay disbursement is reported at inception. Lease payments are reported when paid.

L. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position and is displayed in separate components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to disbursements for specified purposes.
2. Unrestricted net position – All other net position that does not meet the definition of "restricted."

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as 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:

- a. 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.
- b. 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.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a 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.
- d. 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. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. 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 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, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

M. Interfund Transactions

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

Transfers within governmental activities are eliminated on the government-wide financial statements.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

N. *Intergovernmental Receipts*

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant money is received.

O. *Receipts and Disbursements*

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and food service operations.

P. *Implementation of New Accounting Policies*

For the fiscal year ended June 30, 2017, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Q. Pensions

For purposes of measuring the net pension liability, 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.

NOTE 3 – 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 deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed 40 percent of the interim moneys available for investment at any one time; and
9. Under limited circumstances corporate notes rated in either of the two highest rated 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At fiscal year end, the School District had \$700 cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

A. Deposits

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all uninsured public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$5,664,390 and the bank balance was \$5,756,773. Of the bank balance, \$1,418,096 was covered by federal depository insurance and \$4,338,677 was collateralized but uninsured.

B. Investments

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

| | Cost | % of Total Investments | Maturities | |
|----------------|------------|---------------------------|------------|-------------|
| | | | < 1 year | 1 - 3 years |
| Negotiable CDs | \$ 500,000 | 100.00% | \$ 500,000 | \$ 0 |

Interest Rate Risk - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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.

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

The School District receives property taxes from Paulding 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.

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 | \$ 74,790,710 | 96% | \$ 81,119,700 | 96% |
| Public Utility | 3,519,920 | 4% | 3,558,430 | 4% |
| Total | \$ 78,310,630 | 100% | \$ 84,678,130 | 100% |
| Tax rate per \$1,000 of assessed valuation | \$ 43.40 | | \$ 43.30 | |

NOTE 5 – INCOME TAXES

The School District levies a tax of 1.5 percent for general operations and building maintenance on the income of residents and of estates. Of the overall 1.5 percent taxes, 0.75 percent is a 5 year renewable tax, last renewed in November, 2015, and 0.75 percent of the income tax is a continuing tax. The School District decided to legally restrict 0.5 percent of the income tax levy for building maintenance, in lieu of the ½ millage of property tax allocation for these uses.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund and Classroom Facilities Maintenance Fund.

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NOTE 6 - 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. For fiscal year 2017, the School District contracted with Ohio School Plan for property and fleet, general liability, and inland marine insurance coverage.

Ohio School Plan (at Replacement Cost):

| | |
|---|---------------|
| Boiler and Machinery (\$1,000 deductible) | \$ 29,663,337 |
| Crime Insurance (\$1,000 deductible) | 25,000 |
| Automotive | |
| Liability | 3,000,000 |
| Uninsured Motorists | 1,000,000 |
| General Liability | |
| Per Occurrence | 3,000,000 |
| Per Year | 5,000,000 |

Settled claims have not exceeded the commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. *Workers' Compensation*

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). 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 participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based in the rate for the GRP rather than its individual rate. Participation in the GRP is limited to the participants that can meet the GRP's selection criteria.

C. *Health Care Benefits*

The School District has contracted through the Paulding County School Consortium's Employee Insurance Benefits Program with Anthem as third party provider to provide employee medical/surgical benefits and also dental benefits. The School District and the employees share the cost of the monthly premium.

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NOTE 7 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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 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.

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.

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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 30 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. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District’s contractually required contribution to SERS was \$108,822 for fiscal year 2017.

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.

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 was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until

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August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5 percent of the 13 percent member rate goes to the DC Plan and the remaining 1.5 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

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

The School District's contractually required contribution to STRS was \$426,078 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of July 1 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability is based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating

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employers. Employer contributions were determined based on the 14 percent employer rate and total member contributions from employer payroll reports for the year ended June 30, 2016:

| | <u>STRS</u> | <u>SERS</u> | <u>Total</u> |
|--|--------------------|--------------------|---------------|
| Proportionate Share of the Net Pension Liability | \$ 8,965,834 | \$ 1,708,873 | \$ 10,674,707 |
| Proportion of the Net Pension Liability Prior Measurement Date | 0.02578313% | 0.02324750% | |
| Proportion of the Net Pension Liability Current Measurement Date | <u>0.02678526%</u> | <u>0.02334820%</u> | |
| Change in Proportionate share | <u>0.00100213%</u> | <u>0.0001007%</u> | |

Actuarial Assumptions - SERS

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

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

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

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

| | |
|--|---|
| Wage Inflation | 3.00 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | 3.00 percent |
| Investment Rate of Return | 7.50 percent net of investment expense, including inflation |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and

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beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The discount rate, assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability and mortality rates were also updated to more closely reflect actual experience.

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings 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 School District's proportionate share of 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.

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| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$ 2,262,441 | \$ 1,708,873 | \$ 1,245,513 |

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|---|
| Inflation | 2.75 percent |
| Projected Salary Increase | 12.25 percent at age 20 to 2.75 percent at age 70 |
| Investment Rate of Return | 7.75 percent, net of investment expenses, including inflation |
| 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.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return*</u> |
|----------------------|------------------------------|--|
| Domestic Equity | 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 |
| | <u>100.00 %</u> | <u>7.61 %</u> |

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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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 as of June 30, 2016, 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 | \$ 11,914,865 | \$ 8,965,834 | \$ 6,478,153 |

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, 2016. 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 net pension liability is expected to be significant.

NOTE 8 - POST EMPLOYMENT BENEFITS

A. 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

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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, SERS did not allocate any employer contributions to the Health Care fund. 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 \$11,542.

The School District's contributions for health care, including surcharge, for the fiscal years ended June 30, 2017, 2016 and 2015, were \$11,542, \$18,319 and \$20,207, respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

B. *State Teachers Retirement System*

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

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

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NOTE 9 - EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining personal and sick leave components are derived from negotiated agreements and State laws. Classified employees earn vacation each fiscal year, depending upon length of service. Accumulated, unused personal time is paid to classified employees and administrators upon termination of employment. Teachers, administrators, and classified employees earn sick leave at the rate of 15 days per year that may be accumulated up to a total of 235 days. Personal days are earned at the rate of 3 days per year.

NOTE 10 – LONG-TERM OBLIGATIONS

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

| | <u>Interest Rate</u> | <u>Principal Outstanding 6/30/2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Principal Outstanding 6/30/2017</u> | <u>Due Within One Year</u> |
|---|--------------------------|--|------------------|-------------------|--|--------------------------------|
| <i>General Obligations</i> | | | | | | |
| 2012 Refunding | | | | | | |
| Current Interest Serial and Term Bond: 2.00-4.00% | | \$ 1,420,000 | \$ 0 | \$ 200,000 | \$ 1,220,000 | \$ 205,000 |

2012 General Obligation Refunding Bonds – On May 16, 2012 the School District issued \$1,805,000 in general obligation bonds for the purpose of refunding a portion of 2002 various purpose general obligation bonds originally issued in the amount of \$3,260,998 for the purpose of acquisition, construction and improvements to school buildings and structures. The bond issue includes \$1,805,000 of serial and term bonds. The bonds will be retired from the Bond Retirement debt service fund.

The Serial Bonds will mature in various principal amounts with varying interest rates starting on December 1, 2014 and on each December 1 thereafter at 100 percent of the principal amount for the years 2014 through 2020.

The Term Bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

| <u>Year</u> | <u>Principal Amount to be Redeemed</u> |
|-------------|--|
| 2021 | \$235,000 |

The remaining principal amount of such Term Bonds (\$115,000) will mature at stated maturity on December 1, 2022.

The refunding bond issue provides resources to purchase U.S. Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$1,810,000 of the 2002 bond issue. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding was \$243,042. The economic gain resulting from the refunding was \$206,864.

Future principal and interest requirements as of June 30, 2017 are as follows:

| Fiscal Year Ending June 30, | 2012 Refunding Bonds | |
|--------------------------------|----------------------|------------|
| | Principal | Interest |
| 2018 | \$ 205,000 | \$ 38,175 |
| 2019 | 215,000 | 31,875 |
| 2020 | 220,000 | 25,350 |
| 2021 | 230,000 | 18,025 |
| 2022 | 235,000 | 9,300 |
| 2023 | 115,000 | 2,300 |
| | \$ 1,220,000 | \$ 125,025 |

NOTE 11 – LEASES

The School District leases two school busses under a non cancelable lease. The School District disbursed \$45,882 to pay bus lease costs for the fiscal year ended June 30, 2017.

The School District leases twelve photocopier machines under a non cancelable lease. The School District disbursed \$13,826 to pay lease costs for the fiscal year ended June 30, 2017.

Future lease payments are as follows:

| Fiscal Year Ending June 30, | Lease Amount |
|--------------------------------|-----------------|
| 2018 | \$ 13,826 |
| 2019 | 13,826 |
| 2020 | 13,826 |
| 2021 | 12,674 |
| | \$ 54,152 |

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

NOTE 12 – 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>General</u> | <u>Permanent Improvement</u> | <u>Bond Retirement</u> | <u>Other Governmental</u> | <u>Total Governmental</u> |
|----------------------------------|---------------------|----------------------------------|----------------------------|-------------------------------|-------------------------------|
| Restricted for: | | | | | |
| Capital Outlay | \$ 0 | \$ 350,884 | \$ 0 | \$ 0 | \$ 350,884 |
| Classroom Facilities Maintenance | 0 | 0 | 0 | 100,308 | 100,308 |
| Debt Service | 0 | 0 | 458,734 | 0 | 458,734 |
| Special Education | 0 | 0 | 0 | 4,506 | 4,506 |
| Extracurricular Activities | 0 | 0 | 0 | 67,280 | 67,280 |
| Other Purposes | 54,239 | 0 | 0 | 40,067 | 94,306 |
| Total Restricted | <u>54,239</u> | <u>350,884</u> | <u>458,734</u> | <u>212,161</u> | <u>1,076,018</u> |
| Assigned for: | | | | | |
| Instruction | 4,345 | 0 | 0 | 0 | 4,345 |
| Support Services | 898 | 0 | 0 | 0 | 898 |
| Extracurricular Activities | 17,125 | 0 | 0 | 0 | 17,125 |
| Subsequent Year Appropriations | 3,000 | 0 | 0 | 0 | 3,000 |
| Total Assigned | <u>25,368</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>25,368</u> |
| Unassigned | <u>4,998,030</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>4,998,030</u> |
| Total Fund Balance | <u>\$ 5,077,637</u> | <u>\$ 350,884</u> | <u>\$ 458,734</u> | <u>\$ 212,161</u> | <u>\$ 6,099,416</u> |

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

NOTE 13 - STATUTORY RESERVES

The School District is required by state law to set aside certain General Fund receipt amounts, as defined, into various reserves. In prior years, the School District was also required to set aside money for budget stabilization.

During the fiscal year ended June 30, 2017, the set-aside activity was as follows:

| | Capital Improvements |
|---|---------------------------------|
| Set Aside Restricted Balance June 30, 2016 | \$ 0 |
| Current Year Set Aside Requirement | 118,586 |
| Current Year Qualifying Expenditures | 0 |
| Current Year Offsets | (195,529) |
| Total | \$ (76,943) |
| | |
| Balance Carried Forward to Fiscal Year 2018 | \$ 0 |
| | |
| Set Aside Restricted Balance June 30, 2017 | \$ 0 |

Although the School District had offsets during the fiscal year that reduced the capital improvements setaside amount below zero, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years. However, for capital improvements, proceeds from bonds issued in prior years, \$3,235,276, may be used to reduce the setaside requirements for future years.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based on a per pupil charge dependent on the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent and two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2017, the School District paid \$23,750 to NOACSC for various contracted services. Financial information can be obtained by contacting Ray Burden, Director, 4277 East Road, Elida, Ohio 45807.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Vantage Career Center - The Vantage Career Center, which provides vocational education to students, is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, and it possesses its own budgeting and taxing authority. To obtain financial information, write to the Vantage Career Center, 818 North Franklin Street, Van Wert, Ohio 45891.

NOTE 15 - GROUP PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program - The School District participates in a group rating program (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Program was established through the Ohio School Boards Association (OSBA) as a group insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, President-Elect, and Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating districts pay an enrollment fee to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan - The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plan offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377. The School District joined the Trust effective October 21, 2016.

Paulding County School Consortium's Employee Insurance Benefits Program - The School District participates in the Paulding County School Consortium's Employee Insurance Benefits Program (Program), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Program is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint insurance purchasing program to maintain adequate insurance protection and provide risk management programs and other administrative services for medical and dental insurance coverage to the employees of the participants. Each participant's superintendent is appointed to a Board of Directors, which advises the Trustee, Huntington Trust, concerning aspects of the administration of the Program. Members are Antwerp Local School District, Paulding Exempted Village Schools, and Wayne Trace Local School District. Monies are paid monthly to Reliance Financial Services, which holds and invests funds for the Consortium and makes payments to Anthem Insurance which acts as the TPA for administration of the policies.

Each participant decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Program is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Lori Davis, 4915 US Route 127, Haviland, OH 45851. The program dissolved at the end of calendar year 2016.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING

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

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

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

| Net Change in Fund Balance | |
|-----------------------------|---------------------|
| | <u>General Fund</u> |
| Cash basis | \$ 733,881 |
| Funds budgeted elsewhere** | (13,563) |
| Adjustment for encumbrances | <u>(18,285)</u> |
| Budget Basis | <u>\$ 702,033</u> |

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes the Public School Support Fund and Uniform School Supplies Fund.

NOTE 17 – CONTINGENCIES

A. Grants

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

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

C. Encumbrance Commitments

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

| Fund | Amount |
|-----------------------|---------------|
| General | \$ 22,368 |
| Permanent Improvement | 86,798 |
| Nonmajor Governmental | 299 |
| | \$ 109,465 |

D. Contractual Commitments

At June 30, 2017, the School District had the following outstanding contractual commitments:

| Project | Vendor | Contract Amount | Amount Paid | Amount Remaining |
|------------|-----------------------------|-----------------|-------------|------------------|
| Pressbox | Garmann Miller & Associates | \$ 9,084 | \$ 6,359 | \$ 2,725 |
| Pressbox | Schimmoller Construction | 106,870 | 27,416 | 79,454 |
| Pressbox | Flat Rock Concrete | 1,500 | 0 | 1,500 |
| Bus Garage | Arrow Fence Company | 7,344 | 0 | 7,344 |
| Total | | \$ 124,798 | \$ 33,775 | \$ 91,023 |

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments disclosed in this note.

E. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of 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 districts, 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; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Antwerp Local School District
Paulding County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

NOTE 18 – ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2017, the School District prepared its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities and disclosures that, while material, cannot be determined at this time.

**Antwerp Local School District
Paulding County, Ohio**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(UNAUDITED)*

The discussion and analysis of the Antwerp Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position increased \$666,535 due to the School District closely monitoring their disbursements based on available resources.
- Outstanding debt decreased from \$1,615,000 to \$1,420,000 through principal payments made during the current year.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Antwerp Local School District as a whole, 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. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2016, the General Fund, Bond Retirement Fund, and Permanent Improvement Fund are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Antwerp Local School District
Paulding County, Ohio**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(UNAUDITED)
(Continued)*

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the 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 fiscal year 2016?" The statement of net position and the statement of activities answer this question.

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

In the statement of net position and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and operation of non-instructional services (i.e., food service).

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General Fund, Bond Retirement Fund and Permanent Improvement 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 year-end available for spending in future periods. These funds are reported using the cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. These funds also use the cash basis of accounting.

**Antwerp Local School District
Paulding County, Ohio**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(UNAUDITED)
(Continued)*

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2016 compared to 2015.

**(Table 1)
Net Position – Cash Basis**

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2016 | 2015 |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 5,369,002 | \$ 4,702,467 |
| Net Position | | |
| Restricted for: | | |
| Capital Outlay | \$ 375,044 | \$ 362,751 |
| Debt Service | 472,168 | 489,283 |
| Other Purposes | 197,468 | 156,893 |
| Unrestricted | 4,324,322 | 3,693,540 |
| <i>Total Net Position</i> | \$ 5,369,002 | \$ 4,702,467 |

Net position of the governmental activities increased \$666,535 which represents a 14 percent increase from fiscal year 2015. The increase in equity in pooled cash and cash equivalents as well as unrestricted net position can be attributed to a significant increase in state foundation receipts in fiscal year 2016.

A portion of the School District's net position, \$1,044,680 or 19 percent represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$4,324,322 may be used to meet the School District's ongoing obligations.

**Antwerp Local School District
Paulding County, Ohio**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(UNAUDITED)
(Continued)*

Table 2 shows the changes in net position for fiscal year 2016 as compared to fiscal year 2015.

**(Table 2)
Changes in Net Position – Cash Basis**

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2016 | 2015 |
| Receipts | | |
| Program Receipts | | |
| Charges for Services and Sales | \$ 823,148 | \$ 769,128 |
| Operating Grants, Contributions and Interest | 750,987 | 731,550 |
| <i>Total Program Receipts</i> | <u>1,574,135</u> | <u>1,500,678</u> |
| General Receipts | | |
| Property Taxes | 1,830,379 | 1,799,751 |
| Income Taxes | 1,112,075 | 1,115,285 |
| Grants and Entitlements not Restricted to Specific Programs | 4,339,208 | 3,505,915 |
| Investment Earnings | 27,255 | 21,384 |
| Miscellaneous | 6,557 | 34,492 |
| <i>Total General Receipts</i> | <u>7,315,474</u> | <u>6,476,827</u> |
| <i>Total Receipts</i> | <u>8,889,609</u> | <u>7,977,505</u> |
| Program Disbursements | | |
| Instruction: | | |
| Regular | 3,443,626 | 3,239,621 |
| Special | 786,177 | 743,740 |
| Adult/Continuing | 5,000 | 5,000 |
| Other | 139,183 | 137,008 |
| Support Services: | | |
| Pupils | 229,525 | 212,629 |
| Instructional Staff | 432,664 | 398,514 |
| Board of Education | 12,563 | 9,647 |
| Administration | 700,002 | 660,477 |
| Fiscal | 274,352 | 218,947 |
| Business | 5,837 | 3,905 |
| Operation and Maintenance of Plant | 1,038,650 | 815,891 |
| Pupil Transportation | 344,795 | 566,027 |
| Central | 26,975 | 25,659 |
| Operation of Non-Instructional Services: | | |
| Food Service Operations | 214,384 | 200,876 |
| Extracurricular Activities | 318,633 | 290,054 |
| Capital Outlay | 5,533 | 12,348 |
| Debt Service: | | |
| Principal Retirement | 195,000 | 190,000 |
| Interest and Fiscal Charges | 50,175 | 55,000 |
| <i>Total Program Disbursements</i> | <u>8,223,074</u> | <u>7,785,343</u> |
| <i>Change in Net Position</i> | 666,535 | 192,162 |
| <i>Net Position Beginning of Year</i> | <u>4,702,467</u> | <u>4,510,305</u> |
| <i>Net Position End of Year</i> | <u>\$ 5,369,002</u> | <u>\$ 4,702,467</u> |

**Antwerp Local School District
Paulding County, Ohio**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(UNAUDITED)
(Continued)*

Unrestricted grants and entitlements increased due to capacity aid funding being introduced in fiscal year 2016. Capacity funding provides additional funding for school districts whose income generated for one mill of property tax is below the state median.

Pupil transportation disbursements decreased by \$221,232 during fiscal year 2016. The decrease is contributed to the purchase of two school buses during fiscal year 2015.

Operation and maintenance of plant disbursements increased by \$222,759 due to significant capital improvement projects initiated by the School District during fiscal year 2016.

Governmental Activities

Several receipt sources fund the School District's governmental activities with the school foundation program being the largest contributor. School foundation provided approximately \$3.9 million in fiscal year 2016. Property and income tax levies generated approximately \$2.9 million in fiscal year 2016. With the combination of taxes and intergovernmental funding comprising 82 percent of receipts in governmental activities, the School District monitors both of these receipt sources very closely for fluctuations.

The majority of program disbursements for governmental activities are for instruction, which accounts for 53 percent of all governmental disbursements. Other programs which support the instruction process account for 37 percent of governmental disbursements. The remaining 10 percent of the School District's disbursements are related to the primary functions of delivering education and providing facilities.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Antwerp Local School District
Paulding County, Ohio**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(UNAUDITED)
(Continued)*

**(Table 3)
Governmental Activities – Cash Basis**

| | Total Costs of Services | | Net Costs of Services | |
|---|-------------------------|---------------------|-----------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 |
| <i>Program Disbursements</i> | | | | |
| Instruction: | | | | |
| Regular | \$ 3,443,626 | \$ 3,239,621 | \$ 2,841,232 | \$ 2,681,036 |
| Special | 786,177 | 743,740 | 198,298 | 156,574 |
| Adult/Continuing | 5,000 | 5,000 | 5,000 | 5,000 |
| Other | 139,183 | 137,008 | 139,183 | 137,008 |
| Support Services: | | | | |
| Pupils | 229,525 | 212,629 | 229,525 | 212,629 |
| Instructional Staff | 432,664 | 398,514 | 404,587 | 357,820 |
| Board of Education | 12,563 | 9,647 | 12,563 | 9,647 |
| Administration | 700,002 | 660,477 | 700,002 | 660,477 |
| Fiscal | 274,352 | 218,947 | 274,352 | 218,947 |
| Business | 5,837 | 3,905 | 5,837 | 3,905 |
| Operation and Maintenance of Plant | 1,038,650 | 815,891 | 1,038,650 | 815,891 |
| Pupil Transportation | 344,795 | 566,027 | 344,795 | 566,027 |
| Central | 26,975 | 25,659 | 26,975 | 25,659 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 214,384 | 200,876 | (8,913) | (2,421) |
| Extracurricular Activities | 318,633 | 290,054 | 186,145 | 179,118 |
| Capital Outlay | 5,533 | 12,348 | 5,533 | 12,348 |
| Debt Service: | | | | |
| Principal Retirement | 195,000 | 190,000 | 195,000 | 190,000 |
| Interest and Fiscal Charges | 50,175 | 55,000 | 50,175 | 55,000 |
| Total | \$ 8,223,074 | \$ 7,785,343 | \$ 6,648,939 | \$ 6,284,665 |

The dependence upon tax receipts and unrestricted grants and entitlements is apparent in the previous table.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$5,369,002, which is higher than the prior year balance of \$4,702,467.

The General Fund's fund balance increased \$635,533 in 2016. The increase in fund balance can be attributed to the increase in state foundation receipts.

**Antwerp Local School District
Paulding County, Ohio**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(UNAUDITED)
(Continued)*

The Permanent Improvement Fund's fund balance increased \$12,293 in 2016. The increase in fund balance is primarily due to the timing of the collection of receipts as compared to the disbursements for capital projects.

The Bond Retirement Fund's fund balance decreased \$17,115 in 2016. The decrease in fund balance is primarily due to the timing of tax receipts versus debt payments.

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 2016, the School District amended its General Fund budget. For the General Fund, final budget basis receipts excluding other financing sources were \$7,693,545, representing an increase of \$821,845 from the original estimate of \$6,871,700. All revenue sources contributed to the increase in budgeted receipts. Actual receipts excluding other financing sources of \$7,680,424 were slightly lower than the final budget.

For fiscal year 2016, the General Fund final budget basis disbursements were \$7,507,530 representing a increase of \$549,731 from the original estimate of \$6,957,799. The increase is not attributable to any one budgeted line item but from budgeted increases throughout. Actual disbursements of \$7,396,641 were \$110,889 lower than the final budget.

There were no significant variances to discuss within other financing sources.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2016 and 2015.

**(Table 4)
Outstanding Debt, at June 30**

| | <u>Governmental Activities</u> | |
|--|--------------------------------|---------------------|
| | <u>2016</u> | <u>2015</u> |
| 2012 Refunding Bonds - Serial and Term Bonds | <u>\$ 1,420,000</u> | <u>\$ 1,615,000</u> |

For further information regarding the School District's debt, refer to Note 10 of the basic financial statements.

**Antwerp Local School District
Paulding County, Ohio**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(UNAUDITED)
(Continued)*

Current Issues

The Antwerp Local School District is maintaining its consistency in a state of a declining economy and uncertainty in State funding. The School District is a small, rural community of 1,850 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

In November, 2011, the School District renewed a five year 2.9 mill permanent improvement levy to generate \$144,555 annually. This levy is on the November 2016 ballot for renewal. This levy provides a source of funds for the financial operations and stability of the School District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools considering the DeRolph court case and the long term effects of public utility deregulation as well as the reduction of personal property for business inventory. As the preceding information shows, the School District relies heavily on its local taxpayers.

Real estate tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

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 any questions about this report or need additional financial information, contact Kristine Stuart, Treasurer, Antwerp Local School District, 303 South Harrmann Road, Antwerp, OH 45813-9574.

**Antwerp Local School District
Paulding County, Ohio**

*Statement of Net Position - Cash Basis
June 30, 2016*

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$ 5,369,002</u></u> |
| Net Position | |
| Restricted for: | |
| Capital Outlay | \$ 375,044 |
| Debt Service | 472,168 |
| Other Purposes | 197,468 |
| Unrestricted | <u>4,324,322</u> |
| <i>Total Net Position</i> | <u><u>\$ 5,369,002</u></u> |

See accompanying notes to the basic financial statements.

Antwerp Local School District
Paulding County, Ohio

Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2016

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Position |
|--|-----------------------|--------------------------------------|---|--|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants, Contributions and Interest | Governmental Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$ 3,443,626 | \$ 521,632 | \$ 80,762 | \$ (2,841,232) |
| Special | 786,177 | 42,167 | 545,712 | (198,298) |
| Adult/Continuing | 5,000 | 0 | 0 | (5,000) |
| Other | 139,183 | 0 | 0 | (139,183) |
| Support Services: | | | | |
| Pupils | 229,525 | 0 | 0 | (229,525) |
| Instructional Staff | 432,664 | 0 | 28,077 | (404,587) |
| Board of Education | 12,563 | 0 | 0 | (12,563) |
| Administration | 700,002 | 0 | 0 | (700,002) |
| Fiscal | 274,352 | 0 | 0 | (274,352) |
| Business | 5,837 | 0 | 0 | (5,837) |
| Operation and Maintenance of Plant | 1,038,650 | 0 | 0 | (1,038,650) |
| Pupil Transportation | 344,795 | 0 | 0 | (344,795) |
| Central | 26,975 | 0 | 0 | (26,975) |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 214,384 | 126,861 | 96,436 | 8,913 |
| Extracurricular Activities | 318,633 | 132,488 | 0 | (186,145) |
| Capital Outlay | 5,533 | 0 | 0 | (5,533) |
| Debt Service: | | | | |
| Principal Retirement | 195,000 | 0 | 0 | (195,000) |
| Interest and Fiscal Charges | 50,175 | 0 | 0 | (50,175) |
| Totals | <u>\$ 8,223,074</u> | <u>\$ 823,148</u> | <u>\$ 750,987</u> | <u>(6,648,939)</u> |

General Receipts

| | |
|---|---------------------|
| Property Taxes Levied for: | |
| General Purposes | 1,494,861 |
| Debt Service | 203,110 |
| Capital Outlay | 132,408 |
| Income Taxes Levied for: | |
| General Purposes | 1,086,886 |
| Building Maintenance | 25,189 |
| Grants and Entitlements not Restricted to Specific Programs | 4,339,208 |
| Investment Earnings | 27,255 |
| Miscellaneous | 6,557 |
| <i>Total General Receipts</i> | <u>7,315,474</u> |
| <i>Change in Net Position</i> | 666,535 |
| <i>Net Position Beginning of Year</i> | <u>4,702,467</u> |
| <i>Net Position End of Year</i> | <u>\$ 5,369,002</u> |

See accompanying notes to the basic financial statements.

Antwerp Local School District
Paulding County, Ohio

Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2016

| | General Fund | Permanent Improvement Fund | Bond Retirement Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------|-------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 4,343,756 | \$ 375,044 | \$ 472,168 | \$ 178,034 | \$ 5,369,002 |
| Fund Balances | | | | | |
| Restricted | \$ 19,434 | \$ 375,044 | \$ 472,168 | \$ 178,034 | \$ 1,044,680 |
| Assigned | 331,848 | 0 | 0 | 0 | 331,848 |
| Unassigned | 3,992,474 | 0 | 0 | 0 | 3,992,474 |
| <i>Total Fund Balances</i> | <u>\$ 4,343,756</u> | <u>\$ 375,044</u> | <u>\$ 472,168</u> | <u>\$ 178,034</u> | <u>\$ 5,369,002</u> |

See accompanying notes to the basic financial statements.

**Antwerp Local School District
Paulding County, Ohio**

*Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2016*

| | General Fund | Permanent Improvement Fund | Bond Retirement Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------|-------------------------|--------------------------------|--------------------------------|
| Receipts | | | | | |
| Property and Other Local Taxes | \$ 1,494,861 | \$ 132,407 | \$ 203,110 | \$ 0 | \$ 1,830,378 |
| Income Taxes | 1,086,886 | 0 | 0 | 25,189 | 1,112,075 |
| Intergovernmental | 4,561,052 | 18,592 | 30,730 | 475,520 | 5,085,894 |
| Investment Income | 27,255 | 0 | 0 | 0 | 27,255 |
| Tuition and Fees | 545,002 | 0 | 0 | 0 | 545,002 |
| Rent | 173 | 0 | 0 | 0 | 173 |
| Extracurricular Activities | 18,625 | 0 | 0 | 132,487 | 151,112 |
| Gifts and Donations | 0 | 0 | 0 | 4,300 | 4,300 |
| Charges for Services | 0 | 0 | 0 | 126,863 | 126,863 |
| Miscellaneous | 2,645 | 0 | 0 | 3,912 | 6,557 |
| <i>Total Receipts</i> | <u>7,736,499</u> | <u>150,999</u> | <u>233,840</u> | <u>768,271</u> | <u>8,889,609</u> |
| Disbursements | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 3,299,369 | 57,258 | 0 | 86,999 | 3,443,626 |
| Special | 529,873 | 0 | 0 | 256,304 | 786,177 |
| Adult/Continuing | 5,000 | 0 | 0 | 0 | 5,000 |
| Other | 139,183 | 0 | 0 | 0 | 139,183 |
| Support Services: | | | | | |
| Pupils | 229,525 | 0 | 0 | 0 | 229,525 |
| Instructional Staff | 404,344 | 0 | 0 | 28,320 | 432,664 |
| Board of Education | 12,563 | 0 | 0 | 0 | 12,563 |
| Administration | 700,002 | 0 | 0 | 0 | 700,002 |
| Fiscal | 264,842 | 3,730 | 5,780 | 0 | 274,352 |
| Business | 5,837 | 0 | 0 | 0 | 5,837 |
| Operation and Maintenance of Plant | 1,002,227 | 26,303 | 0 | 10,120 | 1,038,650 |
| Pupil Transportation | 298,913 | 45,882 | 0 | 0 | 344,795 |
| Central | 26,975 | 0 | 0 | 0 | 26,975 |
| Extracurricular Activities | 182,313 | 0 | 0 | 136,320 | 318,633 |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 0 | 0 | 0 | 214,384 | 214,384 |
| Capital Outlay | 0 | 5,533 | 0 | 0 | 5,533 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 0 | 195,000 | 0 | 195,000 |
| Interest and Fiscal Charges | 0 | 0 | 50,175 | 0 | 50,175 |
| <i>Total Disbursements</i> | <u>7,100,966</u> | <u>138,706</u> | <u>250,955</u> | <u>732,447</u> | <u>8,223,074</u> |
| <i>Net Change in Fund Balances</i> | 635,533 | 12,293 | (17,115) | 35,824 | 666,535 |
| <i>Fund Balances Beginning of Year</i> | <u>3,708,223</u> | <u>362,751</u> | <u>489,283</u> | <u>142,210</u> | <u>4,702,467</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 4,343,756</u> | <u>\$ 375,044</u> | <u>\$ 472,168</u> | <u>\$ 178,034</u> | <u>\$ 5,369,002</u> |

See accompanying notes to the basic financial statements.

Antwerp Local School District
Paulding County, Ohio

*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2016*

| | Original | Final | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$ 1,479,700 | \$ 1,494,861 | \$ 1,494,861 | \$ 0 |
| Income Tax | 1,090,000 | 1,086,886 | 1,086,886 | 0 |
| Intergovernmental | 3,820,500 | 4,571,804 | 4,561,052 | (10,752) |
| Interest | 20,000 | 28,000 | 27,255 | (745) |
| Tuition and Fees | 460,000 | 509,994 | 509,248 | (746) |
| Gifts and Donations | 500 | 500 | 173 | (327) |
| Rent | 500 | 500 | 0 | (500) |
| Miscellaneous | 500 | 1,000 | 949 | (51) |
| <i>Total Receipts</i> | <u>6,871,700</u> | <u>7,693,545</u> | <u>7,680,424</u> | <u>(13,121)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,277,279 | 3,310,365 | 3,264,275 | 46,090 |
| Special | 579,530 | 540,208 | 529,873 | 10,335 |
| Adult/Continuing | 5,000 | 5,000 | 5,000 | 0 |
| Other | 140,000 | 139,232 | 139,183 | 49 |
| Support Services: | | | | |
| Pupils | 237,650 | 232,800 | 229,525 | 3,275 |
| Instructional Staff | 392,739 | 439,571 | 432,678 | 6,893 |
| Board of Education | 12,550 | 13,611 | 12,563 | 1,048 |
| Administration | 700,350 | 713,039 | 700,002 | 13,037 |
| Fiscal | 246,852 | 270,152 | 264,849 | 5,303 |
| Business | 4,521 | 6,021 | 5,837 | 184 |
| Operation and Maintenance of Plant | 766,345 | 1,318,369 | 1,304,479 | 13,890 |
| Pupil Transportation | 358,409 | 302,335 | 298,999 | 3,336 |
| Central | 28,000 | 28,000 | 26,975 | 1,025 |
| Extracurricular Activities | 208,574 | 188,827 | 182,403 | 6,424 |
| <i>Total Disbursements</i> | <u>6,957,799</u> | <u>7,507,530</u> | <u>7,396,641</u> | <u>110,889</u> |
| <i>Excess of Revenues Over (Under) Disbursements</i> | <u>(86,099)</u> | <u>186,015</u> | <u>283,783</u> | <u>97,768</u> |
| Other Financing Sources | | | | |
| Refund of Prior Year Expenditures | 0 | 1,696 | 1,696 | 0 |
| <i>Net Change in Fund Balance</i> | (86,099) | 187,711 | 285,479 | 97,768 |
| <i>Fund Balance Beginning of Year</i> | 3,626,383 | 3,626,383 | 3,626,383 | 0 |
| Prior Year Encumbrances Appropriated | 57,110 | 57,110 | 57,110 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$ 3,597,394</u> | <u>\$ 3,871,204</u> | <u>\$ 3,968,972</u> | <u>\$ 97,768</u> |

See accompanying notes to the basic financial statements.

Antwerp Local School District
Paulding County, Ohio

Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2016

| | <u>Private Purpose Trust</u> | <u>Agency</u> |
|--|----------------------------------|------------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 26,214</u> | <u>\$ 34,777</u> |
| Net Position | | |
| Held in Trust for Scholarships | <u>\$ 26,214</u> | |
| Held on Behalf of Student Activities | | <u>\$ 34,777</u> |

See accompanying notes to the basic financial statements.

Antwerp Local School District
Paulding County, Ohio

Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

| | <u>Private Purpose Trust</u> |
|--|----------------------------------|
| | <u>Scholarship</u> |
| Additions | |
| Gifts and Contributions | \$ 4,000 |
| Interest | 342 |
| <i>Total Additions</i> | <u>4,342</u> |
| | |
| Deductions | |
| Payments in Accordance with Trust Agreements | <u>3,270</u> |
| <i>Change in Net Position</i> | 1,072 |
| <i>Net Position Beginning of Year</i> | <u>25,142</u> |
| <i>Net Position End of Year</i> | <u>\$ 26,214</u> |

See accompanying notes to the basic financial statements.

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in Paulding County and consists of one facility and is staffed by non-certificated employees and certificated full-time teaching personnel who provide services to students as well as other community members.

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure 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 Antwerp Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with two organizations, which are defined as jointly governed organizations and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Program and the Paulding County School Consortium’s Employee Insurance Benefits Program. These organizations are presented in Notes 14 and 15 to the basic financial statements.

The School District’s management believes these financial statements present all activities for which the School District is financially accountable.

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. *Basis of Presentation*

The School District's basic financial statements consist of government-wide financial 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 statement of activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

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 receipts 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 receipts 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. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general resources 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 statement is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

B. Fund Accounting

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets or fund equity, receipts and disbursements. Funds of the School District are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

The funds of the financial reporting entity are described below:

Governmental Funds/Governmental Activities

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund - The General Fund is the primary operating fund of the School District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The General Fund balance is available to the School District for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

Permanent Improvement Fund - The Permanent Improvement capital projects fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for and the payment of principal and interest on the School District's notes and general obligation bonds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include a private purpose trust fund and agency funds. The School District's private purpose trust fund accounts for scholarships for students. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities.

C. *Basis of Accounting*

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

D. *Budgetary Process*

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution Report, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control established by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds, are made by the Treasurer.

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amount reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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.

E. Cash and Cash Equivalents

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

For purposes of financial reporting, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 were \$27,255, which includes \$5,800 assigned from other School District funds.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not reflect these items as assets.

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

H. *Interfund Receivables/Payables*

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. *Compensated Absences*

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused vacation and sick. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

J. *Employer Contributions to Cost-Sharing Pension Plans*

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. *Long-Term Debt*

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. The debt proceeds are reported as other financing sources when received and payment of principal and interest reported as disbursements when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay disbursement is reported at inception. Lease payments are reported when paid.

L. *Equity Classifications*

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position and is displayed in separate components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to disbursements for specified purposes.
2. Unrestricted net position – All other net position that does not meet the definition of "restricted."

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as 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:

- a. 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.
- b. 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.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a 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.
- d. 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. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.
- e. 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 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, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

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*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

M. *Interfund Transactions*

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

Transfers within governmental activities are eliminated on the government-wide financial statements.

N. *Intergovernmental Receipts*

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant money is received.

O. *Receipts and Disbursements*

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and food service operations.

P. *Implementation of New Accounting Policies*

For the fiscal year ended June 30, 2016, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

Q. Pensions

For purposes of measuring the net pension liability, 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.

NOTE 3 – 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 deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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For the Fiscal Year Ended June 30, 2016
(Continued)*

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

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

1. United States treasury notes, bills, bonds, or other obligations or securities 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed 40 percent of the interim moneys available for investment at any one time; and
9. Under limited circumstances corporate notes rated in either of the two highest rated 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Antwerp Local School District
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*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Deposits

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all uninsured public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$5,429,993 and the bank balance was \$5,470,551. Of the bank balance, \$1,385,212 was covered by federal depository insurance and \$4,085,339 was collateralized but uninsured.

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Paulding 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, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

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*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

| | 2015 Second- Half Collections | | 2016 First- Half Collections | |
|--|--|----------------|---|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/Residential and Other | | | | |
| Real Estate | \$ 74,604,180 | 97% | \$ 74,790,710 | 96% |
| Public Utility | 2,623,520 | 3% | 3,519,920 | 4% |
| Total | <u>\$ 77,227,700</u> | <u>100%</u> | <u>\$ 78,310,630</u> | <u>100%</u> |
| Tax rate per \$1,000 of assessed valuation | <u>\$ 43.50</u> | | <u>\$ 43.40</u> | |

NOTE 5 – INCOME TAXES

The School District levies a tax of 1.5 percent for general operations and building maintenance on the income of residents and of estates. Of the overall 1.5 percent taxes, 0.75 percent is a 5 year renewable tax, last renewed in November, 2015, and 0.75 percent of the income tax is a continuing tax. The School District decided to legally restrict 0.5 percent of the income tax levy for building maintenance, in lieu of the ½ millage of property tax allocation for these uses.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund and Classroom Facilities Maintenance Fund.

NOTE 6 - 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. For fiscal year 2016, the School District contracted with Ohio School Plan for property and fleet, general liability, and inland marine insurance coverage.

Ohio School Plan (at Replacement Cost):

| | |
|---|---------------|
| Boiler and Machinery (\$1,000 deductible) | \$ 29,663,337 |
| Crime Insurance (\$1,000 deductible) | 25,000 |
| Automotive | |
| Liability | 3,000,000 |
| Uninsured Motorists | 1,000,000 |
| General Liability | |
| Per Occurrence | 3,000,000 |
| Per Year | 5,000,000 |

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*Notes To The Basic Financial Statements
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(Continued)*

Settled claims have not exceeded the commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). 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 participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based in the rate for the GRP rather than its individual rate. Participation in the GRP is limited to the participants that can meet the GRP's selection criteria.

C. Health Care Benefits

The School District has contracted through the Paulding County School Consortium's Employee Insurance Benefits Program with Anthem as third party provider to provide employee medical/surgical benefits and also dental benefits. The School District and the employees share the cost of the monthly premium.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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 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.

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(Continued)*

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.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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.

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*Notes To The Basic Financial Statements
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(Continued)*

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District's contractually required contribution to SERS was \$101,515 for fiscal year 2016.

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.

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 was 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 year 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 year 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.

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*Notes To The Basic Financial Statements
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(Continued)*

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB 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 after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$394,565 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, 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 projected contributions of all participating entities. Following is information related to the proportionate share:

| | <u>STRS</u> | <u>SERS</u> | <u>Total</u> |
|--|--------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$ 7,125,703 | \$ 1,326,525 | \$ 8,452,228 |
| Proportion of the Net Pension Liability | 0.02578313% | 0.02324750% | |

**Antwerp Local School District
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*Notes To The Basic Financial Statements
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(Continued)*

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3.00 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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:

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(Continued)*

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | 15.00 | 7.50 |
| | <u>100.00 %</u> | |

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| School District's proportionate share of the net pension liability | \$ 1,839,413 | \$ 1,326,525 | \$ 894,631 |

Changes between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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(Continued)*

| | |
|-----------------------------------|--|
| Inflation | 2.75 percent |
| Projected salary increase | 2.75 percent at 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2.00 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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|----------------------|------------------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| | <u>100.00 %</u> | |

10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

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

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

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 | \$ 9,898,139 | \$ 7,125,703 | \$ 4,781,195 |

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, 2016. 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 net pension liability is expected to be significant.

NOTE 8 - POST EMPLOYMENT BENEFITS

A. 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 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 2016, Districts' surcharge obligation was \$18,319.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$18,319, \$20,207, and \$13,869, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$26,673, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 9 - EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining personal and sick leave components are derived from negotiated agreements and State laws. Classified employees earn vacation each fiscal year, depending upon length of service. Accumulated, unused personal time is paid to classified employees and administrators upon termination of employment. Teachers, administrators, and classified employees earn sick leave at the rate of 15 days per year that may be accumulated up to a total of 235 days. Personal days are earned at the rate of 3 days per year.

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

NOTE 10 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2016 were as follows:

| | <u>Interest Rate</u> | <u>Principal Outstanding 6/30/2015</u> | <u>Additions</u> | <u>Reductions</u> | <u>Principal Outstanding 6/30/2016</u> | <u>Due Within One Year</u> |
|---|--------------------------|--|------------------|-------------------|--|--------------------------------|
| <i>General Obligations</i> | | | | | | |
| 2012 Refunding | | | | | | |
| Current Interest Serial and Term Bond: 2.00-4.00% | | \$ 1,615,000 | \$ 0 | \$ 195,000 | \$ 1,420,000 | \$ 200,000 |

2012 General Obligation Refunding Bonds – On May 16, 2012 the School District issued \$1,805,000 in general obligation bonds for the purpose of refunding a portion of 2002 various purpose general obligation bonds originally issued in the amount of \$3,260,998 for the purpose of acquisition, construction and improvements to school buildings and structures. The bond issue includes \$1,805,000 of serial and term bonds. The bonds will be retired from the Bond Retirement debt service fund.

The Serial Bonds will mature in various principal amounts with varying interest rates starting on December 1, 2014 and on each December 1 thereafter at 100 percent of the principal amount for the years 2014 through 2020.

The Term Bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

| <u>Year</u> | <u>Principal Amount to be Redeemed</u> |
|-------------|--|
| 2021 | \$235,000 |

The remaining principal amount of such Term Bonds (\$115,000) will mature at stated maturity on December 1, 2022.

The refunding bond issue provides resources to purchase U.S. Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$1,810,000 of the 2002 bond issue. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds.

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding was \$243,042. The economic gain resulting from the refunding was \$206,864.

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Future principal and interest requirements as of June 30, 2016 are as follows:

| Fiscal Year Ending June 30, | 2012 Refunding Bonds | |
|--------------------------------|----------------------|------------|
| | Principal | Interest |
| 2017 | \$ 200,000 | \$ 44,250 |
| 2018 | 205,000 | 38,175 |
| 2019 | 215,000 | 31,875 |
| 2020 | 220,000 | 25,350 |
| 2021 | 230,000 | 18,025 |
| 2022 - 2023 | 350,000 | 11,600 |
| | \$ 1,420,000 | \$ 169,275 |

NOTE 11 – LEASES

The School District leases two school busses under a non-cancelable lease. The School District disbursed \$45,882 to pay bus lease costs for the fiscal year ended June 30, 2016.

During fiscal year 2016, the School District entered into a new lease for twelve photocopier machines under a non-cancelable lease. The School District disbursed \$1,152 to pay lease costs for the fiscal year ended June 30, 2016.

Future lease payments are as follows:

| Fiscal Year Ending June 30, | School Bus Lease Amount | Copier Lease Amount | Total Lease Amount |
|--------------------------------|-------------------------------|---------------------------|--------------------------|
| 2017 | \$ 45,882 | \$ 13,826 | \$ 59,708 |
| 2018 | 0 | 13,826 | 13,826 |
| 2019 | 0 | 13,826 | 13,826 |
| 2020 | 0 | 13,826 | 13,826 |
| 2021 | 0 | 12,674 | 12,674 |
| | \$ 45,882 | \$ 67,978 | \$ 113,860 |

NOTE 12 – 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:

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

| | <u>General</u> | <u>Permanent Improvement</u> | <u>Bond Retirement</u> | <u>Other Governmental</u> | <u>Total Governmental</u> |
|----------------------------------|---------------------|----------------------------------|----------------------------|-------------------------------|-------------------------------|
| Restricted for: | | | | | |
| Capital Outlay | \$ 0 | \$ 375,044 | \$ 0 | \$ 0 | \$ 375,044 |
| Classroom Facilities Maintenance | 0 | 0 | 0 | 102,380 | 102,380 |
| Debt Service | 0 | 0 | 472,168 | 0 | 472,168 |
| Special Education | 0 | 0 | 0 | 4 | 4 |
| Extracurricular Activities | 0 | 0 | 0 | 53,910 | 53,910 |
| Other Purposes | 19,434 | 0 | 0 | 21,740 | 41,174 |
| Total Restricted | <u>19,434</u> | <u>375,044</u> | <u>472,168</u> | <u>178,034</u> | <u>1,044,680</u> |
| Assigned for: | | | | | |
| Instruction | 1,080 | 0 | 0 | 0 | 1,080 |
| Support Services | 330,678 | 0 | 0 | 0 | 330,678 |
| Extracurricular Activities | 90 | 0 | 0 | 0 | 90 |
| Total Assigned | <u>331,848</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>331,848</u> |
| Unassigned | <u>3,992,474</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>3,992,474</u> |
| Total Fund Balance | <u>\$ 4,343,756</u> | <u>\$ 375,044</u> | <u>\$ 472,168</u> | <u>\$ 178,034</u> | <u>\$ 5,369,002</u> |

NOTE 13 - STATUTORY RESERVES

The School District is required by state law to set aside certain General Fund receipt amounts, as defined, into various reserves. In prior years, the School District was also required to set aside money for budget stabilization.

During the fiscal year ended June 30, 2016, the set-aside activity was as follows:

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set Aside Restricted Balance June 30, 2015 | \$ 0 |
| Current Year Set Aside Requirement | 116,517 |
| Current Year Qualifying Expenditures | 0 |
| Current Year Offsets | (195,504) |
| Total | <u>\$ (78,987)</u> |
| | |
| Balance Carried Forward to Fiscal Year 2017 | <u>\$ 0</u> |
| | |
| Set Aside Restricted Balance June 30, 2016 | <u>\$ 0</u> |

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Although the School District had offsets during the fiscal year that reduced the capital improvements setaside amount below zero, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years. However, for capital improvements, proceeds from bonds issued in prior years, \$3,235,276, may be used to reduce the setaside requirements for future years.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based on a per pupil charge dependent on the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent and two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2016, the School District paid \$48,122 to NOACSC for various contracted services. Financial information can be obtained by contacting Ray Burden, Director, 645 South Main Street, Lima, Ohio 45804.

Vantage Career Center - The Vantage Career Center, which provides vocational education to students, is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, and it possesses its own budgeting and taxing authority. To obtain financial information, write to the Vantage Career Center, 818 North Franklin Street, Van Wert, Ohio 45891.

NOTE 15 - GROUP PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program - The School District participates in a group rating program (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Program was established through the Ohio School Boards Association (OSBA) as a group insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, President-Elect, and Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating districts pay an enrollment fee to cover the costs of administering the program.

Paulding County School Consortium's Employee Insurance Benefits Program - The School District participates in the Paulding County School Consortium's Employee Insurance Benefits Program (Program), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Program is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint insurance purchasing program to maintain adequate insurance protection and provide risk management programs and other administrative services for medical and dental

Antwerp Local School District
Paulding County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

insurance coverage to the employees of the participants. Each participant's superintendent is appointed to a Board of Directors, which advises the Trustee, Huntington Trust, concerning aspects of the administration of the Program. Members are Antwerp Local School District, Paulding Exempted Village Schools, and Wayne Trace Local School District. Monies are paid monthly to Reliance Financial Services, which holds and invests funds for the Consortium and makes payments to Anthem Insurance which acts as the TPA for administration of the policies.

Each participant decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Program is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Maria Rellinger, 405 N. Water Street, Paulding, Ohio 45879.

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING

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

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

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

| | |
|-----------------------------|--------------------------|
| | <u>General Fund</u> |
| Cash basis | \$ 635,533 |
| Funds budgeted elsewhere** | (19,285) |
| Adjustment for encumbrances | <u>(330,769)</u> |
| Budget Basis | <u><u>\$ 285,479</u></u> |

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes the Public School Support Fund and Uniform School Supplies Fund.

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

NOTE 17 – CONTINGENCIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

C. Other Commitments

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

| <u>Fund</u> | <u>Amount</u> |
|-----------------------|-------------------|
| General | \$ 331,848 |
| Permanent Improvement | 66,141 |
| Nonmajor Governmental | 2,119 |
| | <u>\$ 400,108</u> |

D. Contractual Commitments

At June 30, 2016, the School District had the following outstanding contractual commitments:

| <u>Project</u> | <u>Vendor</u> | <u>Contract Amount</u> | <u>Amount Paid</u> | <u>Amount Remaining</u> |
|-----------------|-----------------------------|------------------------|--------------------|-------------------------|
| Lighting | Owens Electric Company | \$ 90,915 | \$ 0 | \$ 90,915 |
| HVAC | Havel | 255,645 | 0 | 255,645 |
| Bleacher System | Natoinal Recreation Systems | 71,674 | 5,533 | 66,141 |
| Total | | <u>\$ 418,234</u> | <u>\$ 5,533</u> | <u>\$ 412,701</u> |

**Antwerp Local School District
Paulding County, Ohio**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

E. School District 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 instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, 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, 2015 or June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 18 – ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2016, the School District prepared its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities and disclosures that, while material, cannot be determined at this time.

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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*

Antwerp Local School District
Paulding County
303 South Harrmann Road
Antwerp, Ohio 45813-9574

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Antwerp Local School District, Paulding County, Ohio (the District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 17, 2018, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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 an instance of

noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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 communication 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

May 17, 2018

ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2017 AND 2016

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

FINDING NUMBER 2017-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office, other than a state agency, shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District lacked a Governmental Accounting Standards Board (GASB) Statement No. 34 policy and as a cost savings measure, decided to prepare its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, presumably, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

Antwerp Local Schools

303 South Harrmann Road

Antwerp, OH 45813

419-258-5421

FAX: 419-258-4041

Dr. Martin A. Miller
Superintendent

Travis Lichty
Middle/High School Principal

Amy Hammer
Elementary School Principal

Kristine Stuart
Treasurer

Board of Education
Sara Schuette
President

Jayme Landers
Vice President

Anita Bok
Robert Herber
Dennis Recker

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2017 AND 2016

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|---|---|--|
| 2015-001 | Finding first reported in 2006. Material noncompliance with Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not reporting financial statements on a Generally Accepted Accounting Principles (GAAP) basis. | Not corrected. Reissued as finding 2017-001 in this report. | The finding reoccurred since management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient. |



Dave Yost • Auditor of State

ANTWERP LOCAL SCHOOL DISTRICT

PAULDING 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
MAY 31, 2018**