



Dave Yost • Auditor of State



**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Ashland City School District  
Ashland County  
1407 Claremont Avenue  
Ashland, Ohio 44805

To the Board of Education:

### ***Report on the Financial Statements***

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

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

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Ashland City School District, Ashland County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 27, 2018

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**Ashland City School District**  
**Ashland County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*(Unaudited)*

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The discussion and analysis of the Ashland City 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 and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2017 are as follows:

- Net position increased \$3,390,637 in fiscal year 2017.
- Capital assets decreased \$50,679 during fiscal year 2017 due to current year depreciation and disposals exceeding additional purchases.
- During the fiscal year, outstanding debt decreased from \$29,125,781 to \$28,496,070 due to principal payments made by the School District.

***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 Ashland City 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, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Ashland City School District, the general fund is by far the most significant fund.

***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain 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 statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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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 non-instructional services, i.e., food service operations.

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

***Fund Financial Statements***

The major funds financial statements begin on page 17. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

***Proprietary Fund*** The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 22.

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

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in the agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25 and 26. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016:

**Table 1**  
**Net Position**

	Governmental Activities	
	2017	2016
<b>Assets</b>		
Current and Other Assets	\$ 39,398,818	\$ 38,280,447
Capital Assets	51,057,453	51,108,132
<i>Total Assets</i>	<u>90,456,271</u>	<u>89,388,579</u>
<b>Deferred Outflows of Resources</b>		
Deferred Charges on Refunding	26,185	30,550
Pension	9,355,475	4,283,808
<i>Total Deferred Outflows of Resources</i>	<u>9,381,660</u>	<u>4,314,358</u>
<b>Liabilities</b>		
Other Liabilities	4,773,344	5,380,569
Long-Term Liabilities		
Due Within One Year	1,227,922	933,904
Due in More Than One Year		
Net Pension Liability	52,252,582	44,158,980
Other Amounts	29,501,192	30,262,309
<i>Total Liabilities</i>	<u>87,755,040</u>	<u>80,735,762</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes and Other	9,967,934	12,042,156
Pension	1,759,573	3,960,272
<i>Total Deferred Inflows of Resources</i>	<u>11,727,507</u>	<u>16,002,428</u>
<b>Net Position</b>		
Net Investment in Capital Assets	23,907,733	23,007,545
Restricted	5,253,580	5,712,171
Unrestricted	(28,805,929)	(31,754,969)
<i>Total Net Position</i>	<u>\$ 355,384</u>	<u>\$ (3,035,253)</u>

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

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

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

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

At year end, capital assets represented 56 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and construction in progress. Net investment in capital assets was \$23,907,733 at June 30, 2017. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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A portion of the School District's net position, \$5,253,580, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$28,805,929, which is primarily caused by GASB 68.

Contracts and retainage payable decreased by \$289,169 and \$598,897, respectively due to construction projects being completed.

Deferred inflows related to property tax decreased in fiscal year 2017 due to increase in amounts available for advance that was caused by timing of payments due.

The \$7,626,503 increase in long term liabilities, \$2,200,699 decrease in deferred inflows of resources from pension and \$5,071,667 increase in deferred outflows of resources for pension were primarily caused by changes related to net pension liability during 2017.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2017	2016
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,970,773	\$ 1,806,078
Operating Grants	4,145,839	3,939,995
Capital Grants	17,820	27,120
<i>Total Program Revenues</i>	<u>6,134,432</u>	<u>5,773,193</u>
<i>General Revenues:</i>		
Property Taxes	19,404,740	17,195,784
Grants and Entitlements Not Restricted	15,843,374	16,029,609
Payments in Lieu of Taxes	44,104	184,104
Gain on Sale of Capital Assets	0	1,281,927
Investment Earnings	94,986	81,113
Miscellaneous	59,463	85,677
<i>Total General Revenues</i>	<u>35,446,667</u>	<u>34,858,214</u>
<i>Total Revenues</i>	<u>41,581,099</u>	<u>40,631,407</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	15,853,711	13,439,292
Special	5,196,243	3,651,771
Vocational	452,885	428,188
Other	980,640	1,337,236
<i>Support Services:</i>		
Pupils	1,922,947	1,631,301
Instructional Staff	1,636,935	1,284,255
Board of Education	115,740	142,709
Administration	2,420,915	2,210,542
Fiscal	906,394	765,586
Business	428,215	412,674
Operation and Maintenance of Plant	2,324,477	2,172,739
Pupil Transportation	1,328,432	1,334,234
Central	488,171	347,412
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,445,318	1,461,618
Community Services	240,149	226,831
Other	0	2,440
Extracurricular Activities	1,342,671	1,202,192
<i>Debt Service:</i>		
Interest and Fiscal Charges	1,106,619	1,104,837
<i>Total Expenses</i>	<u>38,190,462</u>	<u>33,155,857</u>
<i>Increase (Decrease) in Net Position</i>	3,390,637	7,475,550
<i>Net Position at Beginning of Year</i>	<u>(3,035,253)</u>	<u>(10,510,803)</u>
<i>Net Position at End of Year</i>	<u>\$ 355,384</u>	<u>\$ (3,035,253)</u>

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The \$1,281,927 decrease in a gain on sale of capital assets due was due to the School District selling several buildings during fiscal year 2016. Property tax revenue increased \$2,208,956 due to increase in amounts available for advance.

Regular and special instruction, as well as pupils and instructional staff support services expenses increased in the fiscal year due to increases in salaries and associated wages, pension expense recognized in relation to GASB 68, as well as additional depreciation expense due to the capitalization of the of new elementary school, middle school and auditorium.

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.

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2017	2016	2017	2016
Instruction:				
Regular	\$ 15,853,711	13,439,292	\$ 14,642,020	\$ 12,363,445
Special	5,196,243	3,651,771	2,865,071	1,791,292
Vocational	452,885	428,188	374,782	372,670
Other	980,640	1,337,236	980,640	1,337,236
Support Services:				
Pupils	1,922,947	1,631,301	1,770,454	1,631,301
Instructional Staff	1,636,935	1,284,255	1,384,840	580,934
Board of Education	115,740	142,709	115,740	142,709
Administration	2,420,915	2,210,542	2,198,743	2,033,193
Fiscal	906,394	765,586	906,394	765,586
Business	428,215	412,674	425,611	389,109
Operation and Maintenance of Plant	2,324,477	2,172,739	2,289,195	2,161,431
Pupil Transportation	1,328,432	1,334,234	1,270,551	1,272,031
Central	488,171	347,412	479,171	347,412
Operation of Non-Instructional Services:				
Food Service Operations	1,445,318	1,461,618	235,118	238,942
Community Services	240,149	226,831	(10,301)	(16,081)
Other	0	2,440	0	2,440
Extracurricular Activities	1,342,671	1,202,192	1,021,382	864,177
Debt Service:				
Interest and Fiscal Charges	1,106,619	1,104,837	1,106,619	1,104,837
<i>Total Expenses</i>	\$ 38,190,462	\$ 33,155,857	\$ 32,056,030	\$ 27,382,664

The dependence upon general revenues for governmental activities is apparent. Approximately 84 percent of governmental activities are supported through taxes and other general revenues; such revenues are 85 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

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***Governmental Funds***

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2017 was an increase of \$3,869,660. Most of this increase was caused by increase in property tax revenue due to increase in tax amounts available for advance as of June 30, 2017, as well as revenues consistently outpacing expenditures.

***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. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue was \$285,502 higher than the final budget basis amounts of \$32,571,171. This was primarily caused by an underestimation of property tax.

Final appropriations of \$32,102,203 were \$749,638 higher than the actual expenditures \$31,352,565 mainly due to an overestimation of support services expenditures. Original appropriations were reduced by \$797,797 to final appropriations to better align with actual spending during fiscal year 2017.

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



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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2017, the School District had \$51,057,453 invested in capital assets. Table 4 shows fiscal year 2017 balances compared with 2016.

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

	Governmental Activities	
	2017	2016
Land	\$ 2,804,234	\$ 2,804,234
Construction in Progress	286,089	3,069,328
Land Improvements	296,982	373,172
Buildings and Improvements	45,160,938	42,686,220
Furniture, Fixtures and Equipment	2,006,068	1,680,254
Vehicles	503,142	494,924
<i>Totals</i>	<u>\$ 51,057,453</u>	<u>\$ 51,108,132</u>

The \$50,679 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

**Debt**

At June 30, 2017, the School District had \$28,496,070 in debt outstanding. See Note 12 for additional details. Table 5 summarizes debt outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2017	2016
Land Purchase Loan	\$ 0	\$ 16,000
Energy Conservation Refunding Bond	2,005,000	2,270,000
School Improvement Bonds - Serial & Term	25,690,000	26,180,000
School Improvement Bonds - Capital Appreciation	114,728	114,728
Accretion on Capital Appreciation Bonds	400,358	246,988
Bond Premium	811,774	840,958
Bond Discounts	(525,790)	(542,893)
<i>Total</i>	<u>\$ 28,496,070</u>	<u>\$ 29,125,781</u>

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***Current Issues***

On November 4, 2012, a bond issue was passed by the citizens of the community of Ashland City School District, to build a new elementary building, a new middle school building, and a new auditorium addition to the current high school building. With the passage of the levy, the State of Ohio, through the Ohio Facilities Construction Commission, secured a contribution to the elementary and middle school facilities project of forty-one percent (41%). The elementary and middle schools opened in September 2015. Additionally, the Board of Education renovated a building to house the Central Administration and school bus maintenance facility with Permanent Improvement funds.

The School District's voters renewed a 9.9 mill operating levy in November, 2016. The levy generates approximately 4.4 million dollars in property tax revenue per fiscal year. The levy is renewable every 5 years.

The Board of Education and administration continue to closely monitor the revenue and expenditures in accordance with the School District's financial forecast. Management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. The School District is currently upgrading the HVAC to Edison elementary using general funds and will need to meet other upgrades and maintenance challenges to all of its other properties. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

The School District, with the assistance of Ohio School Boards Association (OSBA) is currently involved in developing a Strategic Plan. The Strategic Planning committee includes diverse members of the community as well as School District personnel and Board of Education members. The Strategic Plan should be concluded by January, 2018.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor equitable'. Since 1997, the State has directed its additional financial support toward school districts with little property tax wealth. In December 2003, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The Court directed the Governor and the legislature to address the fundamental issue creating the inequities. Changes to the state's funding formula have been made and with each biennium budget cycle, the legislature continues to "tweak" the formula. School District and state property value and wealth averaged over 3 years is the driving factor for funding. School District average daily membership (ADM) continues to hover between 3,100 and 3,200 students each year.

***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 Susan K. Guthrie, Treasurer of Ashland City School District, 1407 Claremont Avenue, Ashland, Ohio 44805.

**Ashland City School District**  
**Ashland County, Ohio**  
*Statement of Net Position*  
*June 30, 2017*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 20,920,773
Receivables:	
Accounts	26,463
Intergovernmental	748,530
Property Taxes	17,667,281
Prepaid Items	35,771
Nondepreciable Capital Assets	3,090,323
Depreciable Capital Assets (Net)	47,967,130
<i>Total Assets</i>	90,456,271
<b>Deferred Outflows of Resources</b>	
Deferred Charges on Refunding	26,185
Pension	9,355,475
<i>Total Deferred Outflows of Resources</i>	9,381,660
<b>Liabilities</b>	
Accounts Payable	80,489
Accrued Wages and Benefits	2,721,211
Contracts Payable	944,172
Intergovernmental Payable	594,157
Matured Compensated Absences Payable	54,577
Accrued Interest Payable	159,298
Claims Payable	219,440
Long Term Liabilities:	
Due Within One Year	1,227,922
Due In More Than One Year	
Net Pension Liability (See Note 10)	52,252,582
Other Amounts Due in More Than One Year	29,501,192
<i>Total Liabilities</i>	87,755,040
<b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Year	9,967,934
Pension	1,759,573
<i>Total Deferred Inflows of Resources</i>	11,727,507
<b>Net Position</b>	
Net Investment in Capital Assets	23,907,733
Restricted For:	
Capital Outlay	2,245,145
Debt Service	1,972,152
Other Purposes	1,036,283
Unrestricted	(28,805,929)
<i>Total Net Position</i>	\$ 355,384

See the accompanying notes to the basic financial statements.

**Ashland City School District**  
**Ashland County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 15,853,711	\$ 1,015,948	\$ 195,743	\$ 0	\$ (14,642,020)
Special	5,196,243	99,730	2,231,442	0	(2,865,071)
Vocational	452,885	0	78,103	0	(374,782)
Other	980,640	0	0	0	(980,640)
Support Services:					
Pupils	1,922,947	0	152,493	0	(1,770,454)
Instructional Staff	1,636,935	0	252,095	0	(1,384,840)
Board of Education	115,740	0	0	0	(115,740)
Administration	2,420,915	73,796	148,376	0	(2,198,743)
Fiscal	906,394	0	0	0	(906,394)
Business	428,215	606	1,998	0	(425,611)
Operation and Maintenance of Plant	2,324,477	17,430	32	17,820	(2,289,195)
Pupil Transportation	1,328,432	19,310	38,571	0	(1,270,551)
Central	488,171	0	9,000	0	(479,171)
Operation of Non-Instructional Services:					
Food Service Operations	1,445,318	451,270	758,930	0	(235,118)
Community Services	240,149	0	250,450	0	10,301
Extracurricular Activities	1,342,671	292,683	28,606	0	(1,021,382)
Debt Service:					
Interest and Fiscal Charges	1,106,619	0	0	0	(1,106,619)
<b>Total</b>	<u>\$ 38,190,462</u>	<u>\$ 1,970,773</u>	<u>\$ 4,145,839</u>	<u>\$ 17,820</u>	<u>(32,056,030)</u>

**General Revenues**

Property Taxes Levied for:	
General Purposes	17,184,218
Debt Service	1,485,586
Capital Outlay	615,140
Classroom Facilities Maintenance	119,796
Grants and Entitlements Not Restricted to Specific Programs	15,843,374
Payments in Lieu of Taxes	44,104
Investment Earnings	94,986
Miscellaneous	59,463
<b>Total General Revenues</b>	<u>35,446,667</u>
 <i>Change in Net Position</i>	 3,390,637
 <i>Net Position Beginning of Year</i>	 (3,035,253)
<b><i>Net Position End of Year</i></b>	<b><u>\$ 355,384</u></b>

See the accompanying notes to the basic financial statements.

**Ashland City School District**  
**Ashland County, Ohio**  
*Balance Sheet*  
*June 30, 2017*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 11,978,403	\$ 6,287,651	\$ 18,266,054
Receivables:			
Accounts	20,925	5,538	26,463
Interfund	558,921	0	558,921
Intergovernmental	67,353	681,177	748,530
Property Taxes	15,650,907	2,016,374	17,667,281
Prepaid Items	34,724	1,047	35,771
<i>Total Assets</i>	<u>\$ 28,311,233</u>	<u>\$ 8,991,787</u>	<u>\$ 37,303,020</u>
<b>Liabilities</b>			
Accounts Payable	\$ 54,987	\$ 25,173	\$ 80,160
Accrued Wages and Benefits	2,414,904	306,307	2,721,211
Contracts Payable	243,154	701,018	944,172
Intergovernmental Payable	545,912	48,245	594,157
Matured Compensated Absences Payable	54,577	0	54,577
Interfund Payable	0	558,921	558,921
<i>Total Liabilities</i>	<u>3,313,534</u>	<u>1,639,664</u>	<u>4,953,198</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Year	8,830,289	1,137,645	9,967,934
Unavailable Revenue	608,617	390,836	999,453
<i>Total Deferred Inflows of Resources</i>	<u>9,438,906</u>	<u>1,528,481</u>	<u>10,967,387</u>
<b>Fund Balances</b>			
Nonspendable	52,167	1,047	53,214
Restricted	0	6,272,809	6,272,809
Assigned	2,187,048	0	2,187,048
Unassigned (Deficit)	13,319,578	(450,214)	12,869,364
<i>Total Fund Balances</i>	<u>15,558,793</u>	<u>5,823,642</u>	<u>21,382,435</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 28,311,233</u>	<u>\$ 8,991,787</u>	<u>\$ 37,303,020</u>

See the accompanying notes to the basic financial statements.

**Ashland City School District**  
**Ashland County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2017*

<b>Total Governmental Fund Balances</b>		<b>\$ 21,382,435</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		51,057,453
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 312,425	
Property Taxes	<u>687,028</u>	999,453
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		2,434,950
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(159,298)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		26,185
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	9,355,475	
Deferred Inflows - Pension	(1,759,573)	
Net Pension Liability	<u>(52,252,582)</u>	(44,656,680)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(27,695,000)	
Capital Appreciation Bonds	(114,728)	
Bond Premium	(811,774)	
Bond Discount	525,790	
Accretion of Interest - Capital Appreciation Bonds	(400,358)	
Compensated Absences	<u>(2,233,044)</u>	<u>(30,729,114)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 355,384</u></u>

See the accompanying notes to the basic financial statements.

**Ashland City School District**  
**Ashland County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2017*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 17,294,158	\$ 2,237,085	\$ 19,531,243
Intergovernmental	16,693,539	3,255,997	19,949,536
Investment Income	65,429	13,499	78,928
Tuition and Fees	1,089,783	0	1,089,783
Extracurricular Activities	155,690	216,591	372,281
Rentals	16,455	975	17,430
Charges for Services	40,006	451,270	491,276
Contributions and Donations	15,082	49,454	64,536
Payments in Lieu of Taxes	44,104	0	44,104
Miscellaneous	59,456	7	59,463
<i>Total Revenues</i>	<u>35,473,702</u>	<u>6,224,878</u>	<u>41,698,580</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	14,915,257	547,389	15,462,646
Special	3,848,388	1,234,430	5,082,818
Vocational	449,671	0	449,671
Other	980,542	67	980,609
Support Services:			
Pupils	1,725,537	155,952	1,881,489
Instructional Staff	989,644	283,371	1,273,015
Board of Education	114,687	0	114,687
Administration	2,169,910	148,289	2,318,199
Fiscal	826,895	31,376	858,271
Business	415,505	0	415,505
Operation and Maintenance of Plant	2,105,991	89,759	2,195,750
Pupil Transportation	1,090,478	316	1,090,794
Central	475,455	9,000	484,455
Extracurricular Activities	909,416	295,791	1,205,207
Operation of Non-Instructional Services:			
Food Service Operations	0	1,262,208	1,262,208
Community Services	961	236,277	237,238
Capital Outlay	265,554	577,807	843,361
Debt Service:			
Principal Retirement	265,000	506,000	771,000
Interest and Fiscal Charges	52,575	910,759	963,334
<i>Total Expenditures</i>	<u>31,601,466</u>	<u>6,288,791</u>	<u>37,890,257</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,872,236</u>	<u>(63,913)</u>	<u>3,808,323</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	0	4,027	4,027
Transfers In	2,414	4,990	7,404
Transfers Out	(4,990)	(2,414)	(7,404)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,576)</u>	<u>6,603</u>	<u>4,027</u>
<i>Net Change in Fund Balance</i>	3,869,660	(57,310)	3,812,350
<i>Fund Balance Beginning of Year</i>	<u>11,689,133</u>	<u>5,880,952</u>	<u>17,570,085</u>
<i>Fund Balance End of Year</i>	<u>\$ 15,558,793</u>	<u>\$ 5,823,642</u>	<u>\$ 21,382,435</u>

See the accompanying notes to the basic financial statements.

**Ashland City School District**  
**Ashland County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2017*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	3,812,350
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 1,080,235	
Current Year Depreciation	<u>(1,088,728)</u>	(8,493)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(42,186)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(7,037)	
Property Taxes	<u>(126,503)</u>	(133,540)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		771,000
Amortization of gain/loss on refunding bonds are not reported in the fund but are allocated as an expense over the life of the debt in the statement of activities.		
		(4,365)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		2,601,738
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(3,422,974)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and discount are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	2,369	
Amortization of Premium on Bonds	29,184	
Amortization of Discount on Bonds	<u>(17,103)</u>	14,450
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		118,639
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(162,612)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		<u>(153,370)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>3,390,637</u>

See the accompanying notes to the basic financial statements.



**Ashland City School District**  
**Ashland County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<b>Revenues</b>				
Property and Other Local Taxes	\$ 14,456,671	\$ 14,456,671	\$ 14,926,591	\$ 469,920
Intergovernmental	16,745,000	16,745,000	16,677,733	(67,267)
Investment Income	75,000	75,000	(7,022)	(82,022)
Tuition and Fees	942,000	942,000	1,054,563	112,563
Extracurricular Activities	97,500	97,500	67,727	(29,773)
Rentals	15,000	15,000	15,323	323
Charges for Services	10,000	10,000	16,209	6,209
Contributions and Donations	30,000	30,000	6,950	(23,050)
Payments in Lieu of Taxes	190,000	44,104	44,104	0
Miscellaneous	10,000	155,896	54,495	(101,401)
<i>Total Revenues</i>	<u>32,571,171</u>	<u>32,571,171</u>	<u>32,856,673</u>	<u>285,502</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	14,676,310	14,687,702	14,685,058	2,644
Special	3,767,835	3,855,877	3,808,747	47,130
Vocational	421,225	457,262	445,664	11,598
Other	1,209,870	1,027,213	1,009,694	17,519
Support Services:				
Pupils	1,845,204	1,764,761	1,755,636	9,125
Instructional Staff	934,801	1,035,826	998,533	37,293
Board of Education	158,445	235,066	162,089	72,977
Administration	1,915,489	2,144,467	2,120,153	24,314
Fiscal	802,822	869,589	833,738	35,851
Business	418,756	436,508	413,049	23,459
Operation and Maintenance of Plant	2,450,637	2,550,173	2,264,516	285,657
Pupil Transportation	1,190,423	1,268,514	1,140,502	128,012
Central	364,721	506,568	476,407	30,161
Extracurricular Activities	636,395	922,052	898,569	23,483
Operation of Non-Instructional Services:				
Community Services	786	300	235	65
Capital Outlay	1,788,706	22,750	22,400	350
Debt Service:				
Principal Retirement	265,000	265,000	265,000	0
Interest and Fiscal Charges	52,575	52,575	52,575	0
<i>Total Expenditures</i>	<u>32,900,000</u>	<u>32,102,203</u>	<u>31,352,565</u>	<u>749,638</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(328,829)</u>	<u>468,968</u>	<u>1,504,108</u>	<u>1,035,140</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	25,000	25,000	0	(25,000)
Advances In	300,000	300,000	225,000	(75,000)
Transfers In	300,000	300,000	2,414	(297,586)
Advances Out	0	(300,000)	(300,000)	0
Transfers Out	0	(7,680)	(7,680)	0
<i>Total Other Financing Sources (Uses)</i>	<u>625,000</u>	<u>317,320</u>	<u>(80,266)</u>	<u>(397,586)</u>
<i>Net Change in Fund Balance</i>	296,171	786,288	1,423,842	637,554
<i>Fund Balance Beginning of Year</i>	9,726,435	9,726,435	9,726,435	0
Prior Year Encumbrances Appropriated	598,337	598,337	598,337	0
<i>Fund Balance End of Year</i>	<u>\$ 10,620,943</u>	<u>\$ 11,111,060</u>	<u>\$ 11,748,614</u>	<u>\$ 637,554</u>

See the accompanying notes to the basic financial statements.

**Ashland City School District**  
**Ashland County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2017*

	Governmental Activities - Internal Service Fund
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	\$ 2,654,719
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Accounts Payable	329
Claims Payable	219,440
<i>Total Liabilities</i>	219,769
<i>Net Position Unrestricted</i>	\$ 2,434,950

See the accompanying notes to the basic financial statements.

**Ashland City School District**  
**Ashland County, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$ 4,493,484
Other	84,011
<i>Total Operating Revenues</i>	4,577,495
<b>Operating Expenses</b>	
Fringe Benefits	329
Purchased Services	768,738
Claims	3,679,339
Other	26,509
<i>Total Operating Expenses</i>	4,474,915
<i>Operating Income</i>	102,580
<b>Non-Operating Revenues</b>	
Interest	16,059
<i>Change in Net Position</i>	118,639
<i>Net Position Beginning of Year</i>	2,316,311
<i>Net Position End of Year</i>	\$ 2,434,950

See the accompanying notes to the basic financial statements.

**Ashland City School District**  
**Ashland County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 4,493,484
Other Cash Receipts	84,011
Cash Paid for Goods and Services	(773,807)
Cash Paid for Claims	(3,697,221)
Other Cash Payments	(26,509)
<i>Net Cash Provided By Operating Activities</i>	79,958
 <b>Cash Flows From Investing Activities</b>	
Interest on Investments	16,059
<i>Net Increase in Cash and Investments</i>	96,017
 <i>Cash and Investments, Beginning of Year</i>	2,558,702
 <i>Cash and Investments, End of Year</i>	\$ 2,654,719
 <b>Reconciliation of Operating Income to Net Cash     Provided By Operating Activities</b>	
Operating Income	\$ 102,580
Adjustments:	
Increase (Decrease) in Liabilities:	
Accounts Payable	(4,740)
Claims Payable	(17,882)
<i>Net Cash Provided By Operating Activities</i>	\$ 79,958

See the accompanying notes to the basic financial statements.

**Ashland City School District**  
**Ashland County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2017*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 101,780	\$ 77,767
Investments in Segregated Accounts	331,988	0
<i>Total Assets</i>	<u>433,768</u>	<u>\$ 77,767</u>
<b>Liabilities</b>		
Accounts Payable	0	\$ 46
Undistributed Monies	0	2,323
Due to Students	0	75,398
<i>Total Liabilities</i>	<u>0</u>	<u>\$ 77,767</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$ 433,768</u>	

See the accompanying notes to the basic financial statements.

**Ashland City School District**  
**Ashland County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 14,370
Investment Earnings	(13,547)
Miscellaneous	955
<i>Total Additions</i>	1,778
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	32,706
<i>Change in Net Position</i>	(30,928)
<i>Net Position Beginning of Year</i>	464,696
<i>Net Position End of Year</i>	\$ 433,768

See the accompanying notes to the basic financial statements.

**Ashland City School District**  
**Ashland County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**Note 1 - Description of the School District and Reporting Entity**

The Ashland City School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District’s six instructional/support facilities.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the 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; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; (4) 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. The School District does not have any component units.

The School District is associated with the Tri-County Computer Service Association (TCCSA), which is defined as a jointly governed organization. A jointly governed organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 13.

The Ashland Public Library (the “Library”) is a related organization to the School District. The school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2017.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Ashland City School District**  
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***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

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

***Fund Accounting***

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

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

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



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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.

**Proprietary Funds** Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

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

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

**Measurement Focus**

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

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

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

Private purpose trust funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements. Agency funds do not report a measurement focus as they do not report operations.

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***Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes and payments in lieu of taxes are recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***Budgetary Process***

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

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

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

***Cash and Investments***

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

During fiscal year 2017, investments were limited to STAR Ohio and Federal National Mortgage Association notes and Huntington Corporate Trust Escrow Account.

In previous fiscal years, the School District received donated stocks, which are reported in a permanent endowment fund as "Investments in Segregated Accounts." The stocks are carried at fair value and are not to be sold. The dividends are used for expenditures of this fund.

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

During fiscal year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Investment earnings (including fair market value adjustments for investments) credited to the general fund during fiscal year 2017 amounted to \$65,429, which includes \$12,598 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

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***Prepaid Items***

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

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 20 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	15 - 20 years
Vehicles	8 years

***Interfund Balances***

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

***Compensated Absences***

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

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

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the funds from which the employee will be paid.

***Pensions***

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

***Accrued Liabilities and Long-Term Obligations***

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

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

***Net Position***

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

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

***Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

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

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

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

*Assigned* – Amounts in the assigned fund balance 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 policies of the School District 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.

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

***Interfund Activity***

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

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***Operating Revenues and Expenses***

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2017, the School District had no special or extraordinary items.

***Estimates***

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

***Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2017, the School District has 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.

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.



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**Note 3 – Accountability**

Fund balances at June 30, 2017 included the following individual fund deficits:

<i>Non-major Special Revenue Funds</i>	
Food Service	\$ 340,289
Alternative Schools	2,134
IDEA - B	32,051
Title I	69,171
Title II-A	6,569

The special revenue deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, assigned or committed fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund:

<b>Net Change in Fund Balance</b>	
GAAP Basis	\$ 3,869,660
Net Adjustment for Revenue Accruals	(2,248,098)
Net Adjustment for Expenditure Accruals	106,502
Funds Budgeted Elsewhere	(3,553)
Adjustment for Encumbrances	(300,669)
Budget Basis	<u>\$ 1,423,842</u>

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\*\* 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 GAAP basis. This includes faculty lounge, uniform school supplies, adult education, rotary, public school support and unclaimed monies funds.

**Note 5 - Deposits and Investments**

State statute classifies monies held by the School District into three categories.

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

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

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2017, the School District and public depositories complied with the provisions of these statutes.

***Deposits with Financial Institutions***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$14,661,872 which includes \$74 of cash on hand. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, \$8,842,935 of the School District's bank balance of \$14,889,867 was exposed to custodial credit risk as discussed above. \$6,046,932 of the bank balance was covered by Federal Deposit Insurance Corporation.

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**Investments**

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

S & P Global Ratings	Investment Type	Measurement Amount	Investment Maturities	
			12 Months or Less	Percent of Total
AA+	Federal National Mortgage Association	\$ 1,296,620	\$ 1,296,620	20.14%
AAA	Huntington Corporate Trust Escrow Account	532,810	532,810	8.28%
AAAm	STAR Ohio	4,609,018	4,609,018	71.58%
	Total Investments	\$ 6,438,448	\$ 6,438,448	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2017. As discussed further in Note 2, STAR Ohio is reported at its share price. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2017, is 46 days.

**Credit Risk** The School District's investments at June 30, 2017 are rated as shown above by S&P Global Ratings. The School District has no investment policy that would further limit its investment choices.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage to total of each investment type held by non-endowment funds of the School District at June 30, 2017.

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***Investments – Private Purpose Trust Fund***

As of June 30, 2017, the School District’s permanent endowment fund had the following investments:

<u>Investment Type</u>	<u>Measurement Amount</u>	<u>Percent of Total</u>
Stocks:		
AT&T	\$ 182,123	54.86%
CenturyLink, Inc.	2,292	0.69%
ComCast	58,224	17.54%
Exelon	7,214	2.17%
Fairpoint	329	0.10%
NCR Corp.	4,201	1.27%
Teradata	3,034	0.91%
Verizon	58,640	17.66%
Frontier	4,698	1.42%
Vodafone	11,233	3.38%
Total	<u>\$ 331,988</u>	<u>100.00%</u>

These investments were donated in a prior year and the principal amount is non-expendable.

**Note 6 - 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.

Public utility property tax revenue received in calendar year 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.

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The School District receives property taxes from Ashland and Richland Counties. The County Auditors periodically advance 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 as an advance at June 30, 2017 in the general, bond retirement, permanent improvement and classroom facilities maintenance funds were \$6,212,001, \$534,501, \$218,514, and \$47,304, respectively. The amount available for advance at June 30, 2016, in the general, bond retirement, permanent improvement and classroom facilities maintenance funds were \$3,844,434, \$342,763, \$139,194, and \$26,171, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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	\$ 424,245,090	94.98%	\$ 433,170,240	94.15%
Public Utility Personal	22,409,370	5.02%	26,893,790	5.85%
<b>Total Assessed Values</b>	<b>\$ 446,654,460</b>	<b>100.00%</b>	<b>\$ 460,064,030</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed valuation	 \$ 66.05		 \$ 65.95	

**Note 7 - Receivables**

Receivables at June 30, 2017, consisted of taxes, accounts, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal Funds. All receivables except property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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**Note 8 - Capital Assets**

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

	Balance 06/30/2016	Additions	Deletions	Balance 6/30/2017
<b>Governmental Activities</b>				
<i>Capital Assets not being depreciated</i>				
Land	\$ 2,804,234	\$ 0	\$ 0	\$ 2,804,234
Construction in Progress	3,069,328	295,045	(3,078,284)	286,089
<i>Total Capital Assets not being Depreciated</i>	<u>5,873,562</u>	<u>295,045</u>	<u>(3,078,284)</u>	<u>3,090,323</u>
<i>Capital Assets being depreciated</i>				
Land Improvements	2,909,213	0	0	2,909,213
Buildings and Improvements	50,357,046	3,186,085	0	53,543,131
Furniture, Fixtures and Equipment	5,050,029	614,333	(175,294)	5,489,068
Vehicles	1,889,082	63,056	(28,159)	1,923,979
<i>Total Capital Assets Being Depreciated</i>	<u>60,205,370</u>	<u>3,863,474</u>	<u>(203,453)</u>	<u>63,865,391</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(2,536,041)	(76,190)	0	(2,612,231)
Buildings and Improvements	(7,670,826)	(711,367)	0	(8,382,193)
Furniture, Fixtures and Equipment	(3,369,775)	(249,149)	135,924	(3,483,000)
Vehicles	(1,394,158)	(52,022)	25,343	(1,420,837)
<i>Total Accumulated Depreciation</i>	<u>(14,970,800)</u>	<u>(1,088,728) *</u>	<u>161,267</u>	<u>(15,898,261)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>45,234,570</u>	<u>2,774,746</u>	<u>(42,186)</u>	<u>47,967,130</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 51,108,132</u>	<u>\$ 3,069,791</u>	<u>\$ (3,120,470)</u>	<u>\$ 51,057,453</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 179,523
Special	4,883
Vocational	3,653
Support Services:	
Pupils	3,503
Instructional Staff	346,350
Administration	4,034
Operation and Maintenance of Plant	102,473
Pupil Transportation	198,749
Central	1,704
Operation of Non-Instructional Services:	
Food Service Operations	142,115
Extracurricular Activities	101,741
<i>Total Depreciation</i>	<u>\$ 1,088,728</u>

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**Note 9 - Risk Management**

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. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance in the past three years nor has insurance coverage been significantly reduced in the current year.

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$219,440, reported in the fund at year end, was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$100,000 per employee.

Changes in fund's claims liability for the fiscal years 2017 and 2016 are as follows:

		Balance Beginning of Year		Current Year Claims		Claims Payments		Balance End of Year
2016	\$	402,836	\$	3,687,942	\$	3,853,456	\$	237,322
2017	\$	237,322	\$	3,679,339	\$	3,697,221	\$	219,440

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 10 - Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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



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

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

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

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

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The School District's contractually required contribution to SERS was \$484,462 for fiscal year 2017. Of this amount, \$30,569 is reported as an intergovernmental payable.

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

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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 August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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.

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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 \$2,117,276 for fiscal year 2017. Of this amount, \$334,856 is reported as an intergovernmental payable.

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

The net pension liability was measured as of 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 was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 44,513,690	\$ 7,738,892	\$ 52,252,582
Proportion of the Net Pension Liability:			
Current Measurement Date	0.13298381%	0.10573590%	
Prior Measurement Date	<u>0.13760240%</u>	<u>0.10742350%</u>	
Change in Proportionate Share	<u>-0.00461859%</u>	<u>-0.00168760%</u>	
 Pension Expense	 \$ 2,701,119	 \$ 721,855	 \$ 3,422,974

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows of resources and deferred inflows of resources are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows of resources and deferred inflows of resources resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 1,798,566	\$ 104,380	\$ 1,902,946
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,695,831	638,346	4,334,177
Changes of Assumptions	0	516,614	516,614
School District Contributions Subsequent to the Measurement Date	<u>2,117,276</u>	<u>484,462</u>	<u>2,601,738</u>
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 7,611,673</u></u>	<u><u>\$ 1,743,802</u></u>	<u><u>\$ 9,355,475</u></u>

**Deferred Inflows of Resources**

Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>\$ 1,610,120</u>	<u>\$ 149,453</u>	<u>\$ 1,759,573</u>
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\$2,601,738 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 419,847	\$ 251,119	\$ 670,966
2019	419,844	250,660	670,504
2020	1,838,045	424,609	2,262,654
2021	<u>1,206,541</u>	<u>183,499</u>	<u>1,390,040</u>
	<u><u>\$ 3,884,277</u></u>	<u><u>\$ 1,109,887</u></u>	<u><u>\$ 4,994,164</u></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.

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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 among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members 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 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 updated to reflect recent experience and mortality rates were also updated.

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:

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of

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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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	\$ 10,245,811	\$ 7,738,892	\$ 5,640,497

***Actuarial Assumptions – STRS***

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

Inflation	2.75 percent
Projected Salary 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 commences on the fifth anniversary of the 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 no 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:

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<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
Total	<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.

**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:

	<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	\$ 59,155,077	\$ 44,513,690	\$ 32,162,817

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

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**Note 11 - Postemployment Benefits**

***School Employees Retirement System***

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, 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 \$55,500.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was \$54,788. The full amount has been contributed for fiscal year 2015.



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**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](http://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.

**Note 12 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2017 were as follows:

	Outstanding 06/30/2016	Additions	Deductions	Outstanding 06/30/2017	Amounts Due Within One Year
<b>Governmental Activities</b>					
Land Purchase Loan	\$ 16,000	\$ 0	\$ (16,000)	\$ 0	\$ 0
<b>General Obligation Bonds</b>					
Classroom Facilities and School Improvement Bonds					
Serial and Term Bonds	9,320,000	0	(235,000)	9,085,000	245,000
Unamortized Premium	100,242	0	(3,855)	96,387	0
Discount	(79,814)	0	3,070	(76,744)	0
Classroom Facilities and School Improvement Bonds					
Serial and Term Bonds	16,860,000	0	(255,000)	16,605,000	0
Capital Appreciation Bonds	114,728	0	0	114,728	48,024
Accretion on Capital Appreciation Bonds	246,988	153,370	0	400,358	178,650
Unamortized Premium	715,106	0	(21,670)	693,436	0
Discount	(463,079)	0	14,033	(449,046)	0
Energy Conservation Improvement Refunding Bonds					
Serial and Term Bonds	2,270,000	0	(265,000)	2,005,000	270,000
Unamortized Premium	25,610	0	(3,659)	21,951	0
<b>Total General Obligation Bonds</b>	<b>29,125,781</b>	<b>153,370</b>	<b>(783,081)</b>	<b>28,496,070</b>	<b>741,674</b>
<b>Net Pension Liability</b>					
STRS	38,029,291	6,484,399	0	44,513,690	0
SERS	6,129,689	1,609,203	0	7,738,892	0
<b>Total Net Pension Liability</b>	<b>44,158,980</b>	<b>8,093,602</b>	<b>0</b>	<b>52,252,582</b>	<b>0</b>
<b>Other Long-Term Obligations</b>					
Compensated Absences	2,070,432	271,828	(109,216)	2,233,044	486,248
<b>Total Governmental Activities</b>	<b>\$ 75,355,193</b>	<b>\$ 8,518,800</b>	<b>\$ (892,297)</b>	<b>\$ 82,981,696</b>	<b>\$ 1,227,922</b>

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**Land Purchase Loan** During fiscal year 2003, the School District entered into a loan in the amount of \$178,000 to purchase land adjacent to the high school for future expansion. The loan was issued for a fifteen year period with varying interest rates of 4.5 to 5.1 percent and final maturity on July 1, 2017. The repayment was from the permanent improvement fund and subject to appropriations made by the School District's Board. The loan was paid in full as of June 30, 2017.

**2013 Energy Conservation Improvement Refunding Bonds**

On June 26, 2013, the School District issued \$3,045,000 of general obligation serial bonds. The bonds refunded \$2,972,973 of outstanding Energy Conservation Bonds. The bonds were issued for a ten year period with final maturity at November 1, 2023. At the date of refunding, \$3,081,587 (including premium and after underwriting discount, and other issuance costs) was received to pay off old debt. As a result, \$2,972,973 of the Energy Conservation Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

These refunding bonds were issued with a premium of \$36,587, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method.

The School District refunded the Energy Conservation Bonds to save \$106,531 in total debt service payments over the next ten years. The repayment is from the general fund.

**2013 Classroom Facilities and School Improvement Bonds – Series A**

On April 5, 2013, the School District issued \$9,890,000 of general obligation bonds, which included serial and term bonds in the amount of \$5,900,000 and \$3,990,000, respectively. The bonds were issued for a thirty year period with final maturity on November 1, 2042.

These improvement bonds were issued with a premium of \$111,807, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The discount of \$89,024 is also being amortized over the life of the bonds using the straight-line method. The serial bonds were issued with varying interest rates of 1.50 to 3.25 percent. The term bonds were issued with varying interest rates of 3.50 to 4.00 percent. The repayment is from the debt service fund.

**2013 Classroom Facilities and School Improvement Bonds – Series B**

On April 22, 2013, the School District issued \$17,579,728 of general obligation bonds, which included serial, term and capital appreciation bonds in the amount of \$4,410,000, \$13,055,000 and \$114,728, respectively. The bonds were issued for a thirty-seven year period with final maturity on November 1, 2049.

These improvements bonds were issued with a premium of \$780,116, which is reported as an increase to bonds payable. The premium amount is being amortized to interest expense over the life of the bonds using the straight-line method. The bonds were issued at a discount of \$505,178 which is reported in the accompanying financial statements as a decrease to bonds payable and is also being amortized over the life of the bonds using the straight-line method.

The \$17,579,728 bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 1.25 to 3.375 percent. The term bonds were issued with a varying interest rate of 3.00 to 4.00 percent.

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The capital appreciation bonds will mature from November 1, 2017 to November 1, 2020. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$930,000. The repayment is from the debt service fund.

Compensated absences are typically paid from the fund from which the employee is paid. In prior years this has primarily been the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2017 are as follows:

Fiscal Year	Classroom Facilities Serial and Term Bonds		Classroom Facilities Capital Appreciation Bonds		Energy Conservation Refunding Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2018	\$ 245,000	\$ 901,525	\$ 48,024	\$ 206,976	\$ 270,000	\$ 48,563	\$ 563,024
2019	250,000	894,099	33,834	226,166	275,000	43,788	558,834	1,164,053
2020	260,000	888,400	22,929	232,071	280,000	37,887	562,929	1,158,358
2021	360,000	882,349	9,941	150,059	285,000	31,175	654,941	1,063,583
2022	530,000	872,287	0	0	295,000	23,556	825,000	895,843
2023-2027	2,850,000	4,139,613	0	0	600,000	20,250	3,450,000	4,159,863
2028-2032	3,280,000	3,697,146	0	0	0	0	3,280,000	3,697,146
2033-2037	3,845,000	3,120,895	0	0	0	0	3,845,000	3,120,895
2038-2042	4,605,000	2,343,600	0	0	0	0	4,605,000	2,343,600
2043-2047	5,565,000	1,352,856	0	0	0	0	5,565,000	1,352,856
2048-2050	3,900,000	238,000	0	0	0	0	3,900,000	238,000
Total	\$ 25,690,000	\$ 19,330,770	\$ 114,728	\$ 815,272	\$ 2,005,000	\$ 205,219	\$27,809,728	\$20,351,261

**Note 13 - Jointly Governed Organization**

The Midland Council of Governments dba/Tri-County Computer Services Association is organized under Chapter 167 of the Ohio Revised Code. The Tri-County Computer Services Association (TCCSA) is a jointly governed organization. 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 for member districts in Ashland, Holmes, Medina and Wayne counties. TCCSA is governed by representatives from each of the participating public school districts served by TCCSA. TCCSA is recognized as one of twenty-three regional Information Technology Centers (ITC) as defined by the Ohio Department of Education. Each of the participating districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. Financial information can be obtained by contacting the Executive Director at the Tri-County Computer Services Association located at 2125 Eagle Pass, Wooster, OH 44691.

**Note 14 – Fund Balance**

Fund balance can be 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.

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The constraints placed on fund balance for the major funds and all other governmental funds are presented as follows:

	General	Other Governmental Funds	Total
Nonspendable for:			
Unclaimed Monies	\$ 17,443	\$ 0	\$ 17,443
Prepaid Items	34,724	1,047	35,771
	<u>52,167</u>	<u>1,047</u>	<u>53,214</u>
Restricted for:			
Debt Service	0	2,079,083	2,079,083
Capital Outlay	0	3,386,697	3,386,697
Facilities Maintenance	0	454,063	454,063
Extracurricular Activities	0	261,654	261,654
State and Federal Programs	0	77,830	77,830
Other Purposes	0	13,482	13,482
Total Restricted	<u>0</u>	<u>6,272,809</u>	<u>6,272,809</u>
Assigned for:			
Encumbrances:			
Instruction	38,193	0	38,193
Support Services	216,332	0	216,332
Extracurricular Activities	6,178	0	6,178
Subsequent Year Appropriations	1,926,345	0	1,926,345
Total Assigned	<u>2,187,048</u>	<u>0</u>	<u>2,187,048</u>
Unassigned	13,319,578	(450,214)	12,869,364
<i>Total Fund Balances</i>	<u>\$ 15,558,793</u>	<u>\$ 5,823,642</u>	<u>\$ 21,382,435</u>

**Note 15 - Set-Asides**

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

The following cash basis information describes the change in the set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

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	Capital Improvements
Set-aside Reserve Balance as of June 30, 2016	\$ 0
Current Year Set-aside Requirement	574,137
Current Year Offsets	(741,335)
Totals	\$ (167,198)
Balance Carried Forward to Fiscal Year 2018	\$ 0
Set-aside Reserve Balance as of June 30, 2017	\$ 0

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

**Note 16 – Contingencies and Commitments**

***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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

***Litigation***

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.

***Contractual Commitments***

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

	Contractual Commitment	Expended	Balance 6/30/2017
Fieldhouse	\$ 24,000	\$ 6,000	\$ 18,000
Restrooms at Edison	139,990	36,935	103,055
HVAC at Edison	1,215,769	243,154	972,615
	\$ 1,379,759	\$ 286,089	\$ 1,093,670

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***Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$260,703 in the general fund and \$652,809 in the non-major governmental funds.

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

***School District Funding***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result of the fiscal year 2017 reviews, the School District is owed \$12,687 from ODE. This amount has not been included in the financial statements.

**Note 17 – Interfund Activity**

***Interfund Balances***

Interfund balances at June 30, 2017 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General	\$ 558,921	\$ 0
Other Governmental Funds	0	558,921
Total	\$ 558,921	\$ 558,921

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2017 are reported on the Statement of Net Position.

***Interfund Transfers***

During fiscal year 2017, the general fund transferred \$4,990 to the Athletic fund for additional resources for current operations. The miscellaneous grant fund transferred \$2,414 to the general fund of residual cash to close the fund. Interfund transfers between governmental funds are eliminated in the statement of activities.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
School District's Proportion of the Net Pension Liability	0.13298381%	0.13760240%	0.14092896%	0.14092896%
School District's Proportionate Share of the Net Pension Liability	\$ 44,513,690	\$ 38,029,291	\$ 34,278,800	\$ 40,832,683
School District's Covered Payroll	\$ 14,068,743	\$ 14,063,186	\$ 13,767,554	\$ 14,882,831
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	316.40%	270.42%	248.98%	274.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
<b><i>School Employees Retirement System (SERS)</i></b>				
School District's Proportion of the Net Pension Liability	0.10573590%	0.10742350%	0.11038000%	0.11038000%
School District's Proportionate Share of the Net Pension Liability	\$ 7,738,892	\$ 6,129,689	\$ 5,586,269	\$ 6,563,944
School District's Covered Payroll	\$ 3,393,114	\$ 3,696,745	\$ 3,415,664	\$ 2,891,243
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	228.08%	165.81%	163.55%	227.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

**Notes:**

***School Employees Retirement System (SERS)***

*Changes of Benefit Terms:* None.

*Changes of Assumptions:* Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

**Ashland City School District**  
**Ashland County, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 2,117,276	\$ 1,969,624	\$ 1,968,846	\$ 1,789,782
Contributions in Relation to the Contractually Required Contribution	<u>(2,117,276)</u>	<u>(1,969,624)</u>	<u>(1,968,846)</u>	<u>(1,789,782)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 15,123,400	\$ 14,068,743	\$ 14,063,186	\$ 13,767,554
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution	\$ 484,462	\$ 475,036	\$ 487,231	\$ 473,411
Contributions in Relation to the Contractually Required Contribution	<u>(484,462)</u>	<u>(475,036)</u>	<u>(487,231)</u>	<u>(473,411)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 3,460,443	\$ 3,393,114	\$ 3,696,745	\$ 3,415,664
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%



<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,934,768	\$ 2,481,832	\$ 2,117,960	\$ 1,984,446	\$ 2,140,156	\$ 1,999,370
<u>(1,934,768)</u>	<u>(2,481,832)</u>	<u>(2,117,960)</u>	<u>(1,984,446)</u>	<u>(2,140,156)</u>	<u>(1,999,370)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 14,882,831	\$ 19,091,015	\$ 16,292,000	\$ 15,264,969	\$ 16,462,738	\$ 15,379,769
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 400,148	\$ 548,172	\$ 544,005	\$ 544,632	\$ 394,245	\$ 384,444
<u>(400,148)</u>	<u>(548,172)</u>	<u>(544,005)</u>	<u>(544,632)</u>	<u>(394,245)</u>	<u>(384,444)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,891,243	\$ 4,075,628	\$ 4,327,804	\$ 4,022,393	\$ 4,006,555	\$ 3,914,908
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY**

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

<b>FEDERAL GRANTOR</b>	Federal	
<i>Pass Through Grantor</i>	CFDA	
Program Title	Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non - Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	\$ 81,009
Cash Assistance:		
School Breakfast Program	10.553	176,442
National School Lunch Program	10.555	<u>503,230</u>
Cash Assistance Subtotal:		<u>679,672</u>
Total Child Nutrition Cluster		760,681
<b>Total U.S. Department of Agriculture</b>		<u><b>760,681</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	952,150
Special Education Cluster:		
Special Education_Grants to States	84.027	725,551
Special Education_Preschool Grants	84.173	<u>26,820</u>
Total Special Education Cluster		752,371
Improving Teacher Quality State Grants	84.367	149,444
Rural Education	84.358	71,146
Total Passed Through Ohio Department of Education		<u>1,925,111</u>
<b>Total U.S. Department of Education</b>		<u><b>1,925,111</b></u>
<b>Total Federal Awards Expenditures</b>		<u><b>\$ 2,685,792</b></u>

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

**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Ashland City School District  
Ashland County  
1407 Claremont Avenue  
Ashland, Ohio 44805

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ashland City School District, Ashland County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's financial statements and have issued our report thereon dated February 27, 2018.

### ***Internal Control Over Financial Reporting***

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

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

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

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***Compliance and Other Matters***

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

***Purpose of this Report***

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

February 27, 2018



# Dave Yost • Auditor of State

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

Ashland City School District  
Ashland County  
1407 Claremont Avenue  
Ashland, Ohio 44805

To the Board of Education:

### ***Report on Compliance for each Major Federal Program***

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

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on each Major Federal Program***

In our opinion, the Ashland City School District, Ashland County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

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**Report on Internal Control Over Compliance**

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 27, 2018



**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

**1. SUMMARY OF AUDITOR'S RESULTS**

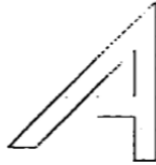
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 84.010 – Title I Grants to Local Educational Agencies CFDA# 84.367 – Improving Teacher Quality State Grants
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



Administrative Offices – 1407 Claremont Ave. – Ashland, Ohio 44805 – 419 289 1117 – Fax 419 289 9534

**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016 - 001	Ohio Revised Code § 5705.10 (H)	Corrected	



# Dave Yost • Auditor of State

**ASHLAND CITY SCHOOL DISTRICT**

**ASHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 29, 2018**