Rea & associates a brighter way

# Buckeye Local School District
## Jefferson County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended
June 30, 2018

Board of Education
Buckeye Local School District
6899 State Route 150
Dillonvale, Ohio 43917

We have reviewed the *Independent Auditor's Report* of the Buckeye Local School District, Jefferson County, prepared by Rea & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Buckeye Local School District is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

December 3, 2018

**This page intentionally left blank.**

**BUCKEYE LOCAL SCHOOL DISTRICT**
**JEFFERSON COUNTY, OHIO**

**JUNE 30, 2018**

*Table of Contents*

**This page intentionally left blank.**

November 5, 2018

The Board of Education
Buckeye Local School District
Jefferson County, Ohio
6899 State Route 150
Dillonvale, Ohio 43917

## Independent Auditor's Report

### Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Local School District, Jefferson County, Ohio (the School District) as of and for the year ended June 30, 2018, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 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.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Local School District, Jefferson County, Ohio, as of June 30, 2018, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Emphasis of Matter***

As described in Note 3 to the financial statements, during 2018, the School District has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

As discussed in Note 2, the School District adopted new accounting guidance in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

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

*Other Information*

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 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.

Rea & Associates, Inc.

New Philadelphia, Ohio

This page intentionally left blank.

The discussion and analysis of the Buckeye Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. 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 the basic financial statements to enhance their understanding of the School District's financial performance.

### *Financial Highlights*

Key financial highlights for 2018 are as follows:

- Net position increased $880,404, which represents a 122 percent increase over 2017.

- The School District ceased to report using the generally accepted accounting principles and reported on cash basis for fiscal year 2018 (See Note 3).

### *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 Buckeye Local School District as a whole, entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Buckeye Local School District, the general fund is by far the most significant fund.

### *Basis of Accounting*

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

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

### *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 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question.

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

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

*Fund Financial Statements*

The fund financial statements begin on page 14. 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 has one major governmental fund and that 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 the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds and one trust fund. These activities are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position on pages 17 and 18. 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.

## The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2018 compared to 2017.

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

| | Governmental Activities | |
|---|---|---|
| | 2018 | Restated 2017 |
| **Assets** | | |
| Equity in Pooled Cash and Cash Equivalents | $ 1,604,333 | $ 761,155 |
| **Net Position** | | |
| Restricted for: | | |
| Other Purposes | 127,955 | 122,247 |
| Unrestricted | 1,476,378 | 601,682 |
| *Total Net Position* | $ 1,604,333 | $ 723,929 |

A portion of the School District's net position, $127,955 or 8 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of $1,476,378 may be used to meet the government's ongoing obligations to students and creditors.

Table 2 shows the changes in net position for fiscal year 2018. Since this is the first year the School District has prepared financial statements on a cash basis, receipts and disbursements comparisons to fiscal year 2017 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**Table 2**
**Change in Net Position – Cash Basis**

| | Governmental Activities |
|---|---|
| | 2018 |
| **Receipts** | |
| ***Program Receipts*** | |
| Charges for Services and Sales | $ 851,289 |
| Operating Grants, Contributions and Interest | 2,891,192 |
| *Total Program Receipts* | 3,742,481 |
| ***General Receipts*** | |
| Property Taxes | 8,917,567 |
| Grants and Entitlements not Restricted to Specific Programs | 9,346,374 |
| Proceeds from Sale of Assets | 5,300 |
| Proceeds of Tax Anticipation Notes | 1,510,000 |
| Premium on Debt Issuance | 3,156 |
| Investment Earnings | 19,855 |
| Miscellaneous | 325,122 |
| *Total General Receipts* | 20,127,374 |
| *Total Receipts* | 23,869,855 |
| ***Program Disbursements*** | |
| Instruction: | |
| Regular | 9,779,948 |
| Special | 3,272,238 |
| Vocational | 360,582 |
| Student Intervention Services | 9,390 |
| Support Services: | |
| Pupils | 707,985 |
| Instructional Staff | 218,991 |
| Board of Education | 86,943 |
| Administration | 1,591,839 |
| Fiscal | 468,357 |
| Business | 52,623 |
| Operation and Maintenance of Plant | 1,921,626 |
| Pupil Transportation | 1,656,065 |
| Central | 123,563 |
| Operation of Non-Instructional Services: | |
| Food Service Operations | 724,911 |
| Community Services | 2,835 |
| Extracurricular Activities | 379,654 |
| Debt Service: | |
| Principal Retirement | 1,584,572 |
| Interest and Fiscal Charges | 47,329 |
| *Total Program Disbursements* | 22,989,451 |
| *Change in Net Position* | 880,404 |
| *Net Position Beginning of Year (Restated)* | 723,929 |
| *Net Position End of Year* | $ 1,604,333 |

Several receipt sources fund the School District's governmental activities with unrestricted grants and entitlements being the largest contributor. Unrestricted grants and entitlements generated $9.3 million in fiscal year 2018. General receipts from property taxes are also a large generator of $8.9 million.

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 receipts and unrestricted State entitlements. Since this is the first year the School District has prepared financial statements on a cash basis, receipts and disbursements comparisons to fiscal year 2017 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

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

| | Total Costs of Services 2018 | Net Costs of Services 2018 |
|---|---|---|
| ***Program Disbursements*** | | |
| Instruction: | | |
| Regular | $ 9,779,948 | $ 8,986,540 |
| Special | 3,272,238 | 1,458,928 |
| Vocational | 360,582 | 169,915 |
| Student Intervention Services | 9,390 | 9,390 |
| Support Services: | | |
| Pupils | 707,985 | 707,985 |
| Instructional Staff | 218,991 | 141,049 |
| Board of Education | 86,943 | 86,943 |
| Administration | 1,591,839 | 1,558,847 |
| Fiscal | 468,357 | 468,357 |
| Business | 52,623 | 32,505 |
| Operation and Maintenance of Plant | 1,921,626 | 1,912,626 |
| Pupil Transportation | 1,656,065 | 1,640,262 |
| Central | 123,563 | 123,563 |
| Operation of Non-Instructional Services: | | |
| Food Service Operations | 724,911 | 48,183 |
| Community Services | 2,835 | (24) |
| Extracurricular Activities | 379,654 | 270,000 |
| Debt Service: | | |
| Principal Retirement | 1,584,572 | 1,584,572 |
| Interest and Fiscal Charges | 47,329 | 47,329 |
| *Total* | $ 22,989,451 | $ 19,246,970 |

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

***The School District's Funds***

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

The general fund's fund balance increased $874,696 in 2018. This was primarily caused by an increase in property tax receipts, coupled with a reduction in disbursements due to implementation of cost saving measures within the School District.

***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 2018, the School District amended its general fund budget. For the general fund, final budget basis receipts were $19,822,409, representing an increase of $222,235 from the original estimate of $19,600,174. Actual receipts of $19,824,806 were $2,397 higher than the final budget.

For fiscal year 2018, the general fund final budget basis disbursements were $20,640,782, which is $786,796 less than the original budgeted disbursements of $21,427,578. Actual disbursements of $20,640,782 matched the final budget.

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

***Debt***

The School District had following long-term obligations outstanding at June 30, 2018 and 2017.

**Table 4**
**Outstanding Debt at June 30**

| | Governmental Activities | |
|---|---|---|
| | 2018 | 2017 |
| Energy Conservation and School Improvement Bonds | $ 630,000 | $ 695,000 |
| Lease Purchase | 96,248 | 105,820 |
| *Total* | $ 726,248 | $ 800,820 |

For further information regarding the School District's debt, refer to Note 12 of the basic financial statements.

### *Current Issues*

As the preceding information indicates, the School District depends heavily on the property taxpayers. For fiscal year 2018, property tax receipts comprised 37 percent of the School District's receipt sources, while unrestricted grants and entitlements comprised 39 percent.

Buckeye Local School District implemented a reduction in force to go into effect for 2018-2019 school year. The district will continue to monitor all resources and spending to meet the needs of our students and employees.

The School District continues to use resources for professional development and continued education in order to offer our students with the best education possible in the 21st century.

The Board of Education and the Administration of the School District must maintain careful financial planning and prudent fiscal management in order to maintain the financial stability of the School District.

### *Contacting the School District's Financial Management*

This financial report is designed to provide our citizens, taxpayers, and 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 Merri Matthews, Treasurer/CFO at Buckeye Local School District, 6899 State Route 150, Dillonvale, Ohio 43917.

**Buckeye Local School District**
**Jefferson County, Ohio**
*Statement of Net Position - Cash Basis*
*June 30, 2018*

| | | |
|---|---|---|
| | | Governmental Activities |
| **Assets** | | |
| Equity in Pooled Cash and Cash Equivalents | $ | 1,604,333 |
| **Net Position** | | |
| Restricted for: | | |
| Other Purposes | | 127,955 |
| Unrestricted | | 1,476,378 |
| *Total Net Position* | $ | 1,604,333 |

See accompanying notes to the basic financial statements.

**Buckeye Local School District**
**Jefferson County, Ohio**
*Statement of Activities - Cash Basis*
*For the Fiscal Year Ended June 30, 2018*

| | | Program Cash Receipts | | Net (Disbursements) Receipts and Changes in Net Position |
|---|---|---|---|---|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants, Contributions and Interest | Governmental Activities |
| **Governmental Activities** | | | | |
| Instruction: | | | | |
| Regular | $ 9,779,948 | $ 526,952 | $ 266,456 | $ (8,986,540) |
| Special | 3,272,238 | 51,334 | 1,761,976 | (1,458,928) |
| Vocational | 360,582 | 0 | 190,667 | (169,915) |
| Student Intervention Services | 9,390 | 0 | 0 | (9,390) |
| Support Services: | | | | |
| Pupils | 707,985 | 0 | 0 | (707,985) |
| Instructional Staff | 218,991 | 4,903 | 73,039 | (141,049) |
| Board of Education | 86,943 | 0 | 0 | (86,943) |
| Administration | 1,591,839 | 0 | 32,992 | (1,558,847) |
| Fiscal | 468,357 | 0 | 0 | (468,357) |
| Business | 52,623 | 20,118 | 0 | (32,505) |
| Operation and Maintenance of Plant | 1,921,626 | 0 | 9,000 | (1,912,626) |
| Pupil Transportation | 1,656,065 | 0 | 15,803 | (1,640,262) |
| Central | 123,563 | 0 | 0 | (123,563) |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 724,911 | 145,952 | 530,776 | (48,183) |
| Community Services | 2,835 | 0 | 2,859 | 24 |
| Extracurricular Activities | 379,654 | 102,030 | 7,624 | (270,000) |
| Debt Service: | | | | |
| Principal Retirement | 1,584,572 | 0 | 0 | (1,584,572) |
| Interest and Fiscal Charges | 47,329 | 0 | | (47,329) |
| *Totals* | $ 22,989,451 | $ 851,289 | $ 2,891,192 | (19,246,970) |

| | |
|---|---|
| **General Receipts** | |
| Property Taxes Levied for: | |
| General Purposes | 8,917,567 |
| Grants and Entitlements not Restricted to Specific Programs | 9,346,374 |
| Proceeds from Sale of Assets | 5,300 |
| Proceeds of Tax Anticipation Notes | 1,510,000 |
| Premium on Debt Issuance | 3,156 |
| Investment Earnings | 19,855 |
| Miscellaneous | 325,122 |
| *Total General Receipts* | 20,127,374 |
| *Change in Net Position* | 880,404 |
| *Net Position Beginning of Year - Restated, See Note 3* | 723,929 |
| *Net Position End of Year* | $ 1,604,333 |

See accompanying notes to the basic financial statements.

**Buckeye Local School District**
**Jefferson County, Ohio**
*Statement of Assets and Fund Balances - Cash Basis*
*Governmental Funds*
*June 30, 2018*

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **Assets** | | | |
| Equity in Pooled Cash and Cash Equivalents | $ 1,476,378 | $ 127,955 | $ 1,604,333 |
| **Fund Balances** | | | |
| Restricted | 0 | 127,955 | 127,955 |
| Assigned | 57,220 | 0 | 57,220 |
| Unassigned | 1,419,158 | 0 | 1,419,158 |
| *Total Fund Balances* | $ 1,476,378 | $ 127,955 | $ 1,604,333 |

See accompanying notes to the basic financial statements.

**Buckeye Local School District**
**Jefferson County, Ohio**
*Statement of Receipts, Disbursements and Changes*
*in Fund Balances - Cash Basis - Governmental Funds*
*For the Fiscal Year Ended June 30, 2018*

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **Receipts** | | | |
| Property and Other Local Taxes | $ 8,917,567 | $ 0 | $ 8,917,567 |
| Intergovernmental | 10,195,966 | 1,903,460 | 12,099,426 |
| Investment Income | 19,855 | 134 | 19,989 |
| Tuition and Fees | 578,286 | 4,903 | 583,189 |
| Extracurricular Activities | 20,117 | 102,031 | 122,148 |
| Gifts and Donations | 48,926 | 7,624 | 56,550 |
| Charges for Services | 0 | 145,953 | 145,953 |
| Miscellaneous | 165,060 | 53,530 | 218,590 |
| *Total Receipts* | 19,945,777 | 2,217,635 | 22,163,412 |
| **Disbursements** | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 9,506,143 | 273,805 | 9,779,948 |
| Special | 2,288,167 | 984,071 | 3,272,238 |
| Vocational | 360,582 | 0 | 360,582 |
| Student Intervention Services | 9,390 | 0 | 9,390 |
| Support Services: | | | |
| Pupils | 707,985 | 0 | 707,985 |
| Instructional Staff | 143,900 | 75,091 | 218,991 |
| Board of Education | 86,943 | 0 | 86,943 |
| Administration | 1,558,445 | 33,394 | 1,591,839 |
| Fiscal | 468,357 | 0 | 468,357 |
| Business | 52,623 | 0 | 52,623 |
| Operation and Maintenance of Plant | 1,902,639 | 18,987 | 1,921,626 |
| Pupil Transportation | 1,656,065 | 0 | 1,656,065 |
| Central | 123,563 | 0 | 123,563 |
| Extracurricular Activities | 283,862 | 95,792 | 379,654 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 0 | 724,911 | 724,911 |
| Community Services | 0 | 2,835 | 2,835 |
| Debt Service: | | | |
| Principal Retirement | 1,519,572 | 65,000 | 1,584,572 |
| Interest and Fiscal Charges | 30,335 | 16,994 | 47,329 |
| *Total Disbursements* | 20,698,571 | 2,290,880 | 22,989,451 |
| *Excess of Receipts Over (Under) Disbursements* | (752,794) | (73,245) | (826,039) |
| **Other Financing Sources (Uses)** | | | |
| Proceeds from Sale of Assets | 5,300 | 0 | 5,300 |
| Proceeds of Tax Anticipation Notes | 1,510,000 | 0 | 1,510,000 |
| Premium on Debt Issuance | 3,156 | 0 | 3,156 |
| Insurance Recoveries | 187,987 | 0 | 187,987 |
| Advances In | 12,764 | 9,723 | 22,487 |
| Advances Out | (9,723) | (12,764) | (22,487) |
| Transfers In | 0 | 81,994 | 81,994 |
| Transfers Out | (81,994) | 0 | (81,994) |
| *Total Other Financing Sources (Uses)* | 1,627,490 | 78,953 | 1,706,443 |
| *Net Change in Fund Balances* | 874,696 | 5,708 | 880,404 |
| *Fund Balances Beginning of Year - Restated, See Note 3* | 601,682 | 122,247 | 723,929 |
| *Fund Balances End of Year* | $ 1,476,378 | $ 127,955 | $ 1,604,333 |

See accompanying notes to the basic financial statements.

**Buckeye Local School District**
**Jefferson County, Ohio**
*Statement of Receipts, Disbursements and Changes*
*In Fund Balance - Budget and Actual (Budget Basis)*
*General Fund*
*For the Fiscal Year Ended June 30, 2018*

| | Budgeted Amounts | | | |
|---|---|---|---|---|
| | Original | Final | Actual | Variance with Final Budget |
| **Receipts** | | | | |
| Property and Other Local Taxes | $ 8,852,898 | $ 8,916,484 | $ 8,917,567 | $ 1,083 |
| Intergovernmental | 10,122,026 | 10,276,184 | 10,277,422 | 1,238 |
| Investment Income | 19,711 | 19,853 | 19,855 | 2 |
| Tuition and Fees | 568,964 | 573,050 | 573,120 | 70 |
| Gifts and Donations | 3,971 | 4,000 | 4,000 | 0 |
| Miscellaneous | 32,604 | 32,838 | 32,842 | 4 |
| *Total Receipts* | 19,600,174 | 19,822,409 | 19,824,806 | 2,397 |
| **Disbursements** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 9,736,412 | 9,500,977 | 9,500,977 | 0 |
| Special | 2,248,999 | 2,288,167 | 2,288,167 | 0 |
| Vocational | 430,502 | 360,582 | 360,582 | 0 |
| Student Intervention Services | 23,359 | 9,390 | 9,390 | 0 |
| Support Services: | | | | |
| Pupils | 676,442 | 707,985 | 707,985 | 0 |
| Instructional Staff | 145,974 | 143,900 | 143,900 | 0 |
| Board of Education | 79,777 | 86,943 | 86,943 | 0 |
| Administration | 1,788,495 | 1,558,445 | 1,558,445 | 0 |
| Fiscal | 499,505 | 468,357 | 468,357 | 0 |
| Operation and Maintenance of Plant | 2,038,052 | 1,902,639 | 1,902,639 | 0 |
| Pupil Transportation | 1,654,939 | 1,656,065 | 1,656,065 | 0 |
| Central | 134,390 | 123,563 | 123,563 | 0 |
| Extracurricular Activities | 303,678 | 283,862 | 283,862 | 0 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 6,317 | 0 | 0 | 0 |
| Debt Service: | | | | |
| Principal Retirement | 1,627,147 | 1,519,572 | 1,519,572 | 0 |
| Interest and Fiscal Charges | 33,590 | 30,335 | 30,335 | 0 |
| *Total Disbursements* | 21,427,578 | 20,640,782 | 20,640,782 | 0 |
| *Excess of Receipts Over (Under) Disbursements* | (1,827,404) | (818,373) | (815,976) | 2,397 |
| **Other Financing Sources (Uses)** | | | | |
| Proceeds from Sale of Assets | 5,262 | 5,299 | 5,300 | 1 |
| Proceeds of Tax Anticipation Notes | 1,489,568 | 1,500,267 | 1,510,000 | 9,733 |
| Premium on Debt Issuance | 0 | 0 | 3,156 | 3,156 |
| Refund of Prior Year Disbursements | 118,329 | 37,723 | 37,737 | 14 |
| Insurance Recoveries | 186,624 | 187,964 | 187,987 | 23 |
| Advances In | 12,670 | 12,761 | 12,764 | 3 |
| Advances Out | (156) | (9,722) | (9,723) | (1) |
| Transfers Out | (228,093) | (81,994) | (81,994) | 0 |
| *Total Other Financing Sources (Uses)* | 1,584,204 | 1,652,298 | 1,665,227 | 12,929 |
| *Net Change in Fund Balance* | (243,200) | 833,925 | 849,251 | 15,326 |
| *Fund Balance Beginning of Year* | 569,915 | 569,915 | 569,915 | 0 |
| *Fund Balance End of Year* | $ 326,715 | $ 1,403,840 | $ 1,419,166 | $ 15,326 |

See accompanying notes to the basic financial statements.

**Buckeye Local School District**
**Jefferson County, Ohio**
*Statement of Fiduciary Net Position - Cash Basis*
*Fiduciary Funds*
*June 30, 2018*

| | Private Purpose Trust | |
|---|---|---|
| | Scholarship | Agency |
| **Assets** | | |
| Equity in Pooled Cash and Cash Equivalents | $ 49,861 | $ 61,957 |
| Cash and Cash Equivalents in Segregated Accounts | 220,391 | 0 |
| *Total Assets* | $ 270,252 | $ 61,957 |
| **Net Position** | | |
| Held in Trust for Scholarships | $ 270,252 | $ 0 |
| Held for Student Activities | 0 | 61,957 |
| *Total Net Position* | $ 270,252 | $ 61,957 |

See accompanying notes to the basic financial statements.

**Buckeye Local School District**
**Jefferson County, Ohio**
*Statement of Changes in Fiduciary Net Position - Cash Basis*
*Private Purpose Trust Fund*
*For the Fiscal Year Ended June 30, 2018*

| | Scholarships |
|---|---|
| **Additions** | |
| Gifts and Contributions | $ 35,295 |
| Interest | 2,057 |
| *Total Additions* | 37,352 |
| **Deductions** | |
| Payments in Accordance with Trust Agreements | 17,900 |
| *Change in Net Position* | 19,452 |
| *Net Position Beginning of Year - Restated, See Note 3* | 250,800 |
| *Net Position End of Year* | $ 270,252 |

See accompanying notes to the basic financial statements.

## Note 1 – Description of the School District and Reporting Entity

The Buckeye Local School District (the "School District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District.

### *Reporting Entity*

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

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

The School District is involved with five organizations, three of which are defined as jointly governed organizations and two which are defined as an insurance purchasing pool. These organizations are the Jefferson County Joint Vocational School, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Ohio Schools Council (OSC), the Ohio School Council Workers' Compensation Group Rating Program (GRP) and the Ohio School Plan (OSP). These organizations are presented in Notes 14 and 15 to the financial statements.

## Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

### *A. Basis of Presentation*

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

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

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

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

### *B. Fund Accounting*

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

***Governmental Funds*** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. 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.

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

***Fiduciary 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 has private purpose trust funds which accounts for college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and Ohio High School Athletic Association (OHSAA) tournaments.

### *C. Basis of Accounting*

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when liability is incurred.

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

### *D. Budgetary Data*

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 receipts 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.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated receipts. 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.

### *E. Cash and Cash Equivalents*

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

Investments of the School District's cash management pool and investments with a 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 cash equivalents." Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2018 amounted to $19,855 with $6,386 assigned from other funds.

### *F. Inventory and Prepaid Items*

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

### *G. Capital Assets*

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

### *H. Interfund Receivables/Payables*

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

### *I. Accumulated Leave*

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

### *J. Pensions and Other Postemployment Benefits (OPEB)*

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

### *K. Long-Term Obligations*

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

### *L. Interfund Transactions*

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

### *M. Net Position*

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include instructional activities, food service operations and grants.

The School District applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

### *N. 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:

*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 interfund loans.

*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 receipt 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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### *O. Implementation of New Accounting Principles*

For the fiscal year ended June 30, 2018, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments.*

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See Note 9 for further information.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School District.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

*This space intentionally left blank*

## Note 3 – Change in Basis of Accounting and Restatement of Net Position and Fund Equity

### *A. Change in Basis of Accounting*

For fiscal year 2018, the School ceased to report using the generally accepted accounting principles and reported on cash basis as described in Note 2C.

### *B. Restatement of Fund Equity*

The implementation of the change in the basis of accounting had the following effects on fund equity of the major and nonmajor funds of the School District as they were previously reported. The effects on net position and on governmental activities and the fiduciary funds is also presented. Additionally the School District identified scholarship funds to be reported as private purpose trust funds, which were previously reported as special revenue funds.

| | General Fund | Other Governmental Funds | Total |
|---|---|---|---|
| Fund Balances, June 30, 2017 | $ (765,038) | $ 83,630 | $ (681,408) |
| Eliminate: | | | |
| Property Taxes Receivable | (9,199,173) | 0 | (9,199,173) |
| Intergovernmental Receivable | (87,480) | (203,219) | (290,699) |
| Interfund Receivable | (12,764) | 0 | (12,764) |
| Prepaid Items | (1,441) | 0 | (1,441) |
| Materials and Supplies Inventory | (14,895) | 0 | (14,895) |
| Accounts Payable | 34,493 | 0 | 34,493 |
| Accrued Wages and Benefits | 1,576,549 | 195,123 | 1,771,672 |
| Interfund Payable | 0 | 12,764 | 12,764 |
| Intergovernmental Payable | 384,954 | 30,600 | 415,554 |
| Matured Severance Payable | 45,292 | 0 | 45,292 |
| Deferred Inflows-Property Taxes | 8,168,762 | 0 | 8,168,762 |
| Unavailable Revenue | 472,423 | 40,575 | 512,998 |
| Reclassification of Scholarship Funds | 0 | (37,226) | (37,226) |
| Adjusted Fund Balances, July 1, 2017 | $ 601,682 | $ 122,247 | $ 723,929 |

| | Governmental Activities | Fiduciary Private-Purpose Trust Funds |
|---|---|---|
| Net Position, June 30, 2017 | $ (20,180,528) | $ 213,574 |
| Eliminate: | | |
| Property Taxes Receivable | (9,199,173) | 0 |
| Intergovernmental Receivable | (290,699) | 0 |
| Prepaid Items | (1,441) | 0 |
| Materials and Supplies Inventory | (14,895) | 0 |
| Non-Depreciable Capital Assets | (576,897) | 0 |
| Depreciable Capital Assets | (8,086,028) | 0 |
| Deferred Outflows - Pension | (6,128,660) | 0 |
| Accounts Payable | 34,493 | 0 |
| Accrued Wages and Benefits | 1,771,672 | 0 |
| Intergovernmental Payable | 415,554 | 0 |
| Matured Severance Payable | 45,292 | 0 |
| Accrued Interest Payable | 1,438 | 0 |
| Long Term Liabilities: | | |
| Due Within One Year | 214,501 | 0 |
| Due In More Than One Year: | | |
| Net Pension Liability | 32,145,642 | 0 |
| Other Amounts Due in More Than One Year | 2,149,217 | 0 |
| Deferred Inflows - Property Taxes | 8,168,762 | 0 |
| Deferred Inflows - Pension | 292,905 | 0 |
| Reclassification of Scholarship Funds | (37,226) | 37,226 |
| Adjusted Net Position, July 1, 2017 | $ 723,929 | $ 250,800 |

## Note 4 - Budgetary Basis of Accounting

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

a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,

b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund.

**Net Change in Fund Balance**

| | | |
|---|---|---|
| Cash Basis | $ | 874,696 |
| Funds Budgeted Elsewhere** | | (25,445) |
| Adjustment for Encumbrances | | 0 |
| Budget Basis | $ | 849,251 |

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

## Note 5 - Deposits and Investments

State statutes classify monies held by the School District into three categories:

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

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

Interim deposits are 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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies can 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 exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding 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);

7) Certain bankers' acceptance for a period not to exceed one hundred and eighty days and commercial paper notes for a period not to exceed two hundred and seventy 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 Buckeye Local School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Investments**

As of June 30, 2018, the School District had the following investment and maturity:

| | | Investment Maturity | |
|---|---|---|---|
| Investment Type | Cost | 6 Months or Less | Percent of Total |
| STAR Ohio | $ 1,596,832 | $ 1,596,832 | 100% |

***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 two years or less for investments with a fixed interest rate, and one year or less for investments with a variable interest rate.

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 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, 2018, is 49 days and it carries a rating of AAAm by S&P Global Ratings.

***Concentration of Credit Risk.*** The School District places no limit on the amount that may be invested in any one issuer.

## 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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont, Harrison and Jefferson Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

| | 2017 Second Half Collections | | | 2018 First Half Collections | | |
|---|---|---|---|---|---|---|
| | Amount | | Percent | Amount | | Percent |
| Real Estate | $ | 173,285,530 | 48% | $ | 183,580,950 | 52% |
| Public Utility Personal Property | | 191,108,580 | 52% | | 172,465,430 | 48% |
| Total | $ | 364,394,110 | 100% | $ | 356,046,380 | 100% |
| Full Tax Rate per $1,000 of assessed valuation | $ | 27.50 | | $ | 27.50 | |

## Note 7 - Risk Management

### *A. Property and Liability*

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage's, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 15). The Buckeye Local School District contracted with the Ohio School Plan for liability, property and fleet insurance. The type and amount of coverage provided by Ohio School Plan follows:

| | |
|---|---|
| Commercial Property Coverage - Blanket | $65,938,141 |
| Property Deductible | 1,000 |
| Auto Liability - Combined Single Limit | 2,000,000 |
| Uninsured Motorists | 1,000,000 |
| Medical Payments | 5,000 |
| Comprehensive (ACV) and Towing | buses 1,000 deductible |
| Collision (ACV) | buses 1,000 deductible |
| Hired and Non-Owned Liability | 75,000 |

| | |
|---|---|
| Educational General Liability: | |
| Bodily Injury and Property Damage - Each Occurrence Limit and Sexual Abuse Injury - Each Sexual Abuse Offense Limit ($1,000 Bodily Injury Deductible) | $2,000,000 |
| Personal and Advertising Injury - Each Offense Limit | 2,000,000 |
| Fire Damage - Any One Event Limit | 500,000 |
| Medical Expense - Any One Person Limit | 10,000 |
| General Aggregate Limit | 4,000,000 |

| | |
|---|---|
| Employers Liability: | |
| Bodily Injury by Accident - Each Accident Limit | 2,000,000 |
| Bodily Injury by Disease - Endorsement Limit | 2,000,000 |
| Bodily Injury by Disease - Each Employee Limit | 2,000,000 |
| Employee Benefits Liability: | |
| Each Offense Limit | 2,000,000 |
| Aggregate Limit | 4,000,000 |
| Educational Legal Liability: | |
| Errors and Omissions Injury Limit ($2,500 Deductible) | 2,000,000 |
| Errors and Omissions Injury Aggregate Limit | 4,000,000 |
| Crime Coverage: | |
| Employee Theft ($1,000 deductible) | 100,000 |
| Computer Fraud | 50,000 |

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

***B. Workers' Commpensation***

For fiscal year 2018, the School District participated in the Ohio Schools Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

**Note 8 - Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

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, 2018, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2018.

The School District's contractually required contribution to SERS was $271,929 for fiscal year 2018.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until 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. 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, 2018, 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 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $1,263,408 for fiscal year 2018.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an 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:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net Pension Liability | $ 4,171,949 | $ 18,232,562 | $ 22,404,511 |
| Proportion of the Net Pension Liability | 0.06982600% | 0.07675183% | |

***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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

| | |
|---|---|
| Wage Inflation | 3.00 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | 2.50 percent |
| Investment Rate of Return | 7.50 percent net of 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, 2017 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 most recent 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:

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

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| School District's Proportionate Share of the Net Pension Liability | $ 5,789,581 | $ 4,171,949 | $ 2,816,852 |

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50 percent |
| Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation |
| Payroll Increases | 3.00 percent |
| Cost-of-Living Adjustments | 0.00 percent effective July 1, 2017 |

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

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

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

| Asset Class | Target Allocation* | Long Term Expected Real Rate of Return** |
|---|---|---|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | 100.00 % | |

*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

***Discount Rate*** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The 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. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

***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, 2017, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| School District's Proportionate Share of the Net Pension Liability | $ 26,135,757 | $ 18,232,562 | $ 11,575,305 |

***Assumption Changes since the Prior Measurement Date***
The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

***Benefit Term Changes since the Prior Measurement Date***
Effective July 1, 2017, the COLA was reduced to zero.

## Note 9 - Defined Benefit OPEB Plans

***Net OPEB Liability***

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions–-between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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 OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $104,900.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $114,971 for fiscal year 2018.

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

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

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

***Net OPEB Liability***

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net OPEB Liability | $ 1,906,932 | $ 2,994,573 | $ 4,901,505 |
| Proportion of the Net OPEB Liability | 0.07105510% | 0.07675183% | |

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

| | |
|---|---|
| Wage Inflation | 3.00 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| Investment Rate of Return | 7.50 percent net of investment expense, including inflation |
| Municipal Bond Index Rate | |
| Measurement Date | 3.56 percent |
| Prior Measurement Date | 2.92 percent |
| Single Equivalent Interest Rate | |
| Measurement Date | 3.63 percent, net of plan investment expense, including price inflation |
| Prior Measurement Date | 2.98 percent, net of plan investment expense, including price inflation |
| Medical Trend Assumption | |
| Medicare | 5.50 percent - 5.00 percent |
| Pre-Medicare | 7.50 percent - 5.00 percent |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

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

| | 1% Decrease (2.63%) | Current Discount Rate (3.63%) | 1% Increase (4.63%) |
|---|---|---|---|
| School District's Proportionate Share of the Net OPEB Liability | $ 2,302,863 | $ 1,906,932 | $ 1,593,254 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School District's Proportionate Share of the Net OPEB Liability | $ 1,547,333 | $ 1,906,932 | $ 2,382,868 |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

| | |
|---|---|
| Inflation | 2.50 percent |
| Projected Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation |
| Payroll Increases | 3.00 percent |
| Cost-of-Living Adjustments (COLA) | 0.00 percent effective July 1, 2017 |
| Blended Discount Rate of Return | 4.13 percent |
| Health Care Cost Trends | 6.00 percent to 11.00 percent, initial, 4.50 percent ultimate |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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

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

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

| Asset Class | Target Allocation* | Long Term Expected Real Rate of Return** |
|---|---|---|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | 100.00 % | |

*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

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

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

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|---|---|---|
| School District's Proportionate Share of the Net OPEB Liability | $ 4,020,166 | $ 2,994,573 | $ 2,184,019 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School District's Proportionate Share of the Net OPEB Liability | $ 2,080,501 | $ 2,994,573 | $ 4,197,599 |

## Note 10 – Oher Employee Benefits

### A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and certain administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave up to a maximum accumulation of 250 days for teachers and administrators. In lieu of 25 percent retirement payment, the certified staff may choose to receive retirement pay consisting of fifty dollars for each day of accumulated, unused sick leave on the date of retirement. For the classified employees, payment upon retirement is 30 percent of accrued, but unused accumulated sick leave up to a maximum accumulation of 275 days.

### B. Insurance Benefits

The School District provides hospitalization and major medical and prescription drug coverage for all eligible employees through the Health Plan HMO. The monthly premium is $1,696.85 for a family plan and $585.12 for a single plan. The Board of Education pays 90 percent of the premiums for the certified staff and administration staff. The classified staff contributes $45 a month towards the premium for both the single and family coverage.

The School District also provides life insurance and accidental death and dismemberment insurance in the amount of $30,000 per employee and dental coverage through Grady Enterprises Inc. The Board pays 100 percent of the monthly premium of $2.85 for the life insurance coverage for all employees. The Board pays 100 percent of the monthly premiums of $62.48 for family coverage and $18.63 for single coverage for the dental coverage for the classified staff and 90 percent of the premiums for the certified staff administration staff.

## Note 11 – Tax Anticipation Note

The School District issued a $1,510,000 tax anticipation note for operations on December 20, 2017. The note was issued with a 2.50 percent interest rate, and was issued in anticipation of property tax receipts. The note was backed by the full faith and credit of the School District, and was fully repaid on April 17, 2018.

## Note 12 - Long-Term Obligations

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

| | Principal Outstanding 6/30/2017 | Additions | Reductions | Principal Outstanding 6/30/2018 | Amounts Due in One Year |
|---|---|---|---|---|---|
| Energy Conservation and School Improvement Bonds | $ 695,000 | $ 0 | $ 65,000 | $ 630,000 | $ 65,000 |
| Lease Purchase | 105,820 | 0 | 9,572 | 96,248 | 10,056 |
| Total General Long-Term Obligations | $ 800,820 | $ 0 | $ 74,572 | $ 726,248 | $ 75,056 |

*2013 Energy Conservation and School Improvement Bonds* – On January 10, 2013, the School District issued $885,000 of general obligation bonds, in accordance with House Bill 264. The bonds were issued to finance an energy conservation project. The term bonds were issued at a 1.0 percent to a 3.8 percent interest rate, for a period of fifteen years with a final maturity at December 1, 2028. The bonds were issued with a premium of $2,865. The bonds will be repaid from the Debt Service Fund.

As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program. On December 12, 2012, Moody's Investors Service reviewed and assigned a rating of Aa2 to the Energy Conservation and School Improvement Bonds. In the event the School District is unable to make sufficient debt service payments and payment will not be made by a credit enhancement facility, the Department of Education will make the sufficient payment.

Lease Purchase – On May 10, 2016, the School District entered into a lease purchase agreement for football stadium lighting. The lease purchase has in interest rate of 4.95 percent and requires annual principal and interest payments through June 13, 2026. These payments will be paid from the General Fund.

Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2018 are as follows:

| | Energy Conservation and School Improvement Bonds | | Lease Purchase | | Total | |
|---|---|---|---|---|---|---|
| Fiscal Year | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | $ 65,000 | $ 15,840 | $ 10,056 | $ 4,874 | $ 75,056 | $ 20,714 |
| 2020 | 50,000 | 14,690 | 10,565 | 4,365 | 60,565 | 19,055 |
| 2021 | 50,000 | 13,603 | 11,101 | 3,829 | 61,101 | 17,432 |
| 2022 | 55,000 | 12,369 | 11,663 | 3,267 | 66,663 | 15,636 |
| 2023 | 55,000 | 10,994 | 12,253 | 2,677 | 67,253 | 13,671 |
| 2024-2028 | 290,000 | 31,565 | 40,610 | 4,181 | 330,610 | 35,746 |
| 2029 | 65,000 | 975 | 0 | 0 | 65,000 | 975 |
| | $ 630,000 | $ 100,036 | $ 96,248 | $ 23,193 | $ 726,248 | $ 123,229 |

## Note 13 – Interfund Activity

### *A. Interfund Transfers*

The General Fund transferred $81,994 to the Bond Retirement Fund (a nonmajor governmental fund) during fiscal year 2018 for repayment of debt.

### *B. Interfund Advances*

During fiscal year 2018, the General Fund advanced $9,723 to various nonmajor governmental funds to support grant programs until grant monies are received. Additionally, various nonmajor governmental funds advanced $12,764 to the General Fund, which represented the repayment of outstanding fiscal year 2017 advances.

## Note 14 - Jointly Governed Organizations

### *A. Jefferson County Joint Vocational School*

The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school district's elected boards. The Board exercises total control over the District including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. To obtain financial information write to the Jefferson County Joint Vocational School, Karen Spoonmore, who serves a Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

### *B. Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Council of Governments (Council)*

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each participant control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2018, the total amount paid to OME-RESA from the School District was $14,055 for technology services and $35,257 for financial accounting and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2230 Sunset Blvd., Steubenville, Ohio 43952.

***C. Ohio Schools Council (OSC)***

The Ohio Schools Council is a regional council of governments created under ORC 167, created by school districts for the purpose of saving dollars through volume purchases. OSC's membership has grown to 231 school districts, educational service centers, joint vocational districts, and developmental disabilities boards located in 33 counties. Each participant supports the OSC by paying an annual participation fee. Each participating School District's superintendent serves as a representative of the Assembly. The Assembly elects a nine member Board of Directors (Board) which is the policy making authority of the OSC. The Board appoints an Executive Director to oversee operations of the OSC. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and the designation of management. Each participants control is limited to its representation on the Board. During fiscal year 2018, the School District paid $520 to the OSC. Financial information can be obtained by contacting the Executive Director at the Ohio Schools Council a 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

**Note 15 – Public Entity Pool**

**Insurance Purchasing Pool**

*Ohio Schools Council Workers' Compensation Group Rating Program (GRP)* - The School District participates in the Ohio Schools Council Workers' Compensation Group Rating Program, an insurance purchasing pool. The GRP is comprised of a seven member Board of the Ohio Schools Council (Council). The Board governs and administers the pool. Each member's control over the budgeting and financing of the pool is limited to its voting authority and any representation it may have on the Board. The Council has contracted with Sheakley to provide third-party administration of the GRP. Each year, the participating school districts are required to be a member of the Ohio Schools Council, and pay their required membership, as well as pay an enrollment fee to Sheakley, to cover the costs of administration of the program. In fiscal year 2018, the School District's enrollment fee of $970 was paid to Sheakley.

*Ohio School Plan (OSP)* – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Hylant Administrative Services and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Hylant Administrative Service is the sales and marketing representative, which establishes agreements between OSP and member schools.

## Note 16 – Contingencies and Significant Commitments

### *A. Grants*

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

### *B. Litigation*

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

### *C. 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 of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time.

## Note 17 - 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 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 year end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

| | Capital Improvements |
|---|---|
| Set-aside Restricted Balance as of June 30, 2017 | $ 0 |
| Current Year Set-aside Requirement | 302,224 |
| Current Year Offsets | (332,693) |
| Totals | $ (30,469) |
| Balance Carried Forward to Fiscal Year 2019 | $ 0 |
| Set-aside Restricted Balance as of June 30, 2018 | $ 0 |

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

**Note 18 - Fund Balance**

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

| | General | Other Governmental Funds | Total |
|---|---|---|---|
| Restricted for: | | | |
| Extracurricular Activities | $ 0 | $ 87,749 | $ 87,749 |
| Food Service Operations | 0 | 17,919 | 17,919 |
| Grant Programs | 0 | 22,287 | 22,287 |
| Total Restricted | 0 | 127,955 | 127,955 |
| Assigned for: | | | |
| Public School Support | 57,220 | 0 | 57,220 |
| Unassigned | 1,419,158 | 0 | 1,419,158 |
| *Total Fund Balance* | $ 1,476,378 | $ 127,955 | $ 1,604,333 |

**Note 19 – Accountability and Compliance**

***Compliance***

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**This page intentionally left blank.**

November 5, 2018

To the Board of Education
Buckeye Local School District
Jefferson County, Ohio
6899 State Route 150
Dillonvale, Ohio 43917

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Local School District, Jefferson County, Ohio (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 5, 2018, wherein we noted the School District elected to change its financial presentation to a comprehensive basis of accounting other than generally accepted accounting principles and adopted new accounting guidance in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.*

***Internal Control over Financial Reporting***

As part of our financial statement audit, we considered the 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 opinion 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.

**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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

***School District's Response to the Finding***

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

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.

Rea & Associates, Inc.

New Philadelphia, Ohio

November 5, 2018

To the Board of Education
Buckeye Local School District
Jefferson County, Ohio
6899 State Route 150
Dillonvale, Ohio 43917

**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**

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

We have audited Buckeye Local School District's, Jefferson 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 the School District's major federal programs for the year ended June 30, 2018. The Summary of Auditor's Results in the accompanying schedule of findings and questioned costs identifies the School District's major federal programs.

***Management's Responsibility***

Management is responsible for compliance with the 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, Buckeye Local School District, Jefferson 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, 2018.

***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.

Rea & Associates, Inc.

New Philadelphia, Ohio

**BUCKEYE LOCAL SCHOOL DISTRICT**
**JEFFERSON COUNTY, OHIO**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| Federal Grantor/ Pass Through Grantor/ Program Title | | CFDA Number | Grant Number | Federal Disbursements | Passed Through to Subrecipients |
|---|---|---|---|---|---|
| **U. S. Department of Agriculture** | | | | | |
| *Passed Through Ohio Department of Education:* | | | | | |
| *Child Nutrition Cluster:* | | | | | |
| Non-Cash Assistance: | | | | | |
| School Breakfast Program | (D) | 10.553 | 2018 | $ 11,745 | $ 0 |
| National School Lunch Program | (D) | 10.555 | 2018 | 29,096 | 0 |
| Total Non-Cash Assistance | | | | 40,841 | 0 |
| Cash Assistance: | | | | | |
| School Breakfast Program | (C) | 10.553 | 2018 | 140,693 | 0 |
| National School Lunch Program | (C) | 10.555 | 2018 | 348,555 | 0 |
| Total Cash Assistance | | | | 489,248 | 0 |
| *Total Child Nutrition Cluster* | | | | 530,089 | 0 |
| *National School Lunch Program - Equipment Grant* | | 10.579 | 2018 | 19,329 | |
| **Total U.S. Department of Agriculture** | | | | **549,418** | **0** |
| **U. S. Department of Education** | | | | | |
| *Passed Through Ohio Department of Education:* | | | | | |
| Title I Grants to Local Educational Agencies | | 84.010 | 2017 | 60,744 | 0 |
| Title I Grants to Local Educational Agencies | | 84.010 | 2018 | 453,024 | 0 |
| Total Title I Grants to Local Educational Agencies | | | | 513,768 | 0 |
| *Special Education Cluster* | | | | | |
| Special Education Grants to States | | 84.027 | 2017 | 57,464 | 0 |
| Special Education Grants to States | | 84.027 | 2018 | 419,207 | 0 |
| Total Special Education Grants to States | | | | 476,671 | 0 |
| Special Education Preschool Grants | | 84.173 | 2017 | 3,440 | 0 |
| Special Education Preschool Grants | | 84.173 | 2018 | 5,244 | 0 |
| Total Special Education Preschool Grants | | | | 8,684 | 0 |
| *Total Special Education Cluster* | | | | 485,355 | 0 |
| Improving Teacher Quality State Grants | | 84.367 | 2017 | 18,269 | 0 |
| Improving Teacher Quality State Grants | | 84.367 | 2018 | 74,000 | 0 |
| Total Improving Teacher Quality State Grants | | | | 92,269 | 0 |
| Title IV-A Student Support and Academic Enrichment | | 84.424 | 2018 | 12,191 | 0 |
| Total Title IV-A Student Support and Academic Enrichment | | | | 12,191 | 0 |
| **Total U.S. Department of Education** | | | | **1,103,583** | **0** |
| **Total Federal Assistance** | | | | **$ 1,653,001** | **$ 0** |

See accompanying notes to the schedule of expenditures of federal awards.

## NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Buckeye Local School District (the School District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position 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 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 Government 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 programs that benefitted from the use of those donated food commodities.

**Buckeye Local School District**
**Jefferson County, Ohio**
*Schedule of Findings and Questioned Costs*
*2 CFR Section 200.515*
*June 30, 2018*

## 1. SUMMARY OF AUDITOR'S RESULTS

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

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

**Finding Number:** 2018-001 – Material Noncompliance

**Criteria**: Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

**Condition**: For fiscal year 2018, the School District prepared its financial statements and notes on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Cause**: The School District Board of Education elected to discontinue preparing its financial statements in accordance with GAAP.

**Effect**: The accompanying basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. In addition, required supplementary information (RSI), including the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of Proportionate Share of Net OPEB Liability and Schedule of OPEB Contributions, were omitted from the financial statements. Failure to prepare GAAP financial statements may result in the School District being fined or other administrative remedies.

**Recommendations**: The School District should implement procedures to prepare its annual financial report in accordance with GAAP to comply with Ohio Admin. Code Section 117-2-03(B).

**Management's Response/Corrective Action:** See Corrective Action Plan.

## 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

*Buckeye Local School District*
6899 State Route 150
Dillonvale, Ohio 43917

Phone: (740) 769-7395 (740) 598-4160
Fax: (740) 769-2361
Web Address: buckeyelocal.net

**Buckeye Local School District**
**Jefferson County, Ohio**
*Corrective Action Plan*
*2 CFR Section 200.511(c)*
*For the Fiscal Year Ended June 30, 2018*

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|---|---|---|---|
| **2018-001** | The School District plans to continue reporting on the cash basis of accounting due to the cost requirement of preparing these financial statements according to Generally Accepted Accounting Principles (GAAP). | N/A | Merri Matthews, Treasurer |

**This page intentionally left blank.**

**BUCKEYE LOCAL SCHOOL DISTRICT**

**JEFFERSON 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**
**DECEMBER 13, 2018**

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov