



***FEDERAL HOCKING  
LOCAL SCHOOL DISTRICT***

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**ATHENS COUNTY**

**SINGLE AUDIT**

**For the Fiscal Year Ended June 30, 2017**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

Board of Education  
Federal Hocking Local School District  
8461 State Route 144  
Stewart, Ohio 45778

We have reviewed the *Independent Auditor's Report* of the Federal Hocking Local School District, Athens County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Federal Hocking Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

February 9, 2018

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*For the Fiscal Year Ended June 30, 2017*

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## **Independent Auditor's Report**

Board of Education  
Federal Hocking Local School District  
8461 State Route 144  
Stewart, OH 45778

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

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

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

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

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

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Governmental 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.

***Opinion***

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

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 4-11 and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any assurance.

*Supplementary and Other Information*

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

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



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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2017, 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.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

December 18, 2017

## **Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

Unaudited

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

### **Financial Highlights**

Key financial highlights for the fiscal year 2017 are as follows:

- Net position of governmental activities increased \$331,541.
- General revenues accounted for \$11,983,752 in revenues or 76.1% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$3,762,752 or 23.9% of total revenues of \$15,746,504.
- The School District had \$15,414,963 in expenses related to governmental activities; only \$3,762,752 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$11,983,752 were adequate to provide for these programs.
- The School District's two major funds were the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund's balance increased \$1,182,258 and the Permanent Improvement Capital Projects Fund's balance increased \$229,955.

### **Using this Annual Financial Report**

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

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

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

#### *Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answer this question.

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

Unaudited

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

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

These two statements report the School District's net position and changes in 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 restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

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

***Fiduciary Funds*** Fiduciary Funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The School District uses the accrual basis of accounting to report fiduciary funds.

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

Unaudited

Table 1  
Net Position  
Governmental Activities

	2017	2016	Change
<b>Assets</b>			
Current and Other Assets	\$13,921,432	\$12,637,409	\$1,284,023
Capital Assets	9,044,768	9,175,663	(130,895)
Total Assets	<u>22,966,200</u>	<u>21,813,072</u>	<u>1,153,128</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding Pension	1,247	2,127	(880)
	3,512,968	1,544,353	1,968,615
Total Deferred Outflows of Resources	<u>3,514,215</u>	<u>1,546,480</u>	<u>1,967,735</u>
<b>Liabilities</b>			
Current and Other Liabilities	1,467,637	1,552,058	(84,421)
Long-term Liabilities:			
Due Within One Year	194,415	181,325	13,090
Due in More Than One year:			
Net Pension Liability	18,016,627	14,551,528	3,465,099
Other Amounts	652,975	836,794	(183,819)
Total Liabilities	<u>20,331,654</u>	<u>17,121,705</u>	<u>3,209,949</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,250,636	3,674,099	576,537
Pension	330,926	1,328,090	(997,164)
Total Deferred Inflows of Resources	<u>4,581,562</u>	<u>5,002,189</u>	<u>(420,627)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	8,825,153	8,834,904	(9,751)
Restricted	1,628,088	1,555,990	72,098
Unrestricted (Deficits)	<u>(8,886,042)</u>	<u>(9,155,236)</u>	<u>269,194</u>
Total Net Position	<u>\$1,567,199</u>	<u>\$1,235,658</u>	<u>\$331,541</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach.

## Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

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This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

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

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

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

Total assets increased \$1,153,128. This increase was mainly due to an increase in equity pooled in cash and cash equivalents of \$1,083,880 and taxes receivable of \$146,737.

Total liabilities increased \$3,209,949. This increase was mainly due to the change in net pension liability

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

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

Unaudited

Table 2  
Changes in Net Position

	2017	2016	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$1,017,041	\$960,885	\$56,156
Operating Grants, Contributions and Interest	2,745,711	2,610,871	134,840
Total Program Revenues	<u>3,762,752</u>	<u>3,571,756</u>	<u>190,996</u>
General Revenues			
Property Taxes	3,318,407	3,705,416	(387,009)
Grants and Entitlements	8,627,174	8,418,823	208,351
Investment Earnings	25,972	11,487	14,485
Gifts and Donations	2,110	245	1,865
Gain on Sale of Capital Assets	902	3,300	(2,398)
Insurance Proceeds	7,537	0	7,537
Miscellaneous	1,650	110,705	(109,055)
Total General Revenues	<u>11,983,752</u>	<u>12,249,976</u>	<u>(266,224)</u>
Total Revenues	<u>15,746,504</u>	<u>15,821,732</u>	<u>(75,228)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	7,956,322	7,426,853	529,469
Special	1,588,376	1,359,807	228,569
Vocational	211,545	209,953	1,592
Support Services:			
Pupils	446,234	437,788	8,446
Instructional Staff	12,611	121,310	(108,699)
Board of Education	53,174	56,926	(3,752)
Administration	962,543	721,330	241,213
Fiscal	388,468	359,485	28,983
Operation and Maintenance of Plant	1,169,470	1,182,197	(12,727)
Pupil Transportation	1,418,570	1,245,347	173,223
Central	244,025	193,147	50,878
Operation of Non-Instructional Services:			
Food Service Operations	677,432	629,754	47,678
Other	58,770	11,220	47,550
Extracurricular Activities	216,963	164,092	52,871
Interest and Fiscal Charges	10,460	15,604	(5,144)
Total Expenses	<u>15,414,963</u>	<u>14,134,813</u>	<u>1,280,150</u>
Change in Net Position	331,541	1,686,919	(1,355,378)
Net Position (Deficit) Beginning of Year	1,235,658	(451,261)	1,686,919
Net Position End of Year	<u>\$1,567,199</u>	<u>\$1,235,658</u>	<u>\$331,541</u>

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

Unaudited

Total program revenues increased \$190,996 from fiscal year 2016 to fiscal year 2017. Charges for services increased \$56,156 and operating grants and contributions increased \$134,840. Overall, program expenses increased \$1,280,150. The increase in expenses was primarily due to an increase in salary and related expenses.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreased as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 21% of revenues for governmental activities for the School District in fiscal year 2017.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
Governmental Activities

	<u>Total Cost of Services</u> <u>2017</u>	<u>Net Cost of Services</u> <u>2017</u>	<u>Total Cost of Services</u> <u>2016</u>	<u>Net Cost of Services</u> <u>2016</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$7,956,322	\$6,657,422	\$7,426,853	\$6,069,137
Special	1,588,376	277,040	1,359,807	250,879
Vocational	211,545	128,334	209,953	141,876
Support Services:				
Pupils	446,234	335,501	437,788	323,439
Instructional Staff	12,611	12,313	121,310	28,421
Board of Education	53,174	53,174	56,926	56,926
Administration	962,543	946,598	721,330	708,097
Fiscal	388,468	388,184	359,485	359,262
Operation and Maintenance of Plant	1,169,470	1,152,528	1,182,197	1,164,139
Pupil Transportation	1,418,570	1,323,406	1,245,347	1,215,318
Central	244,025	220,090	193,147	163,072
Operation of Non-Instructional Services:				
Food Service Operations	677,432	(45,664)	629,754	5,437
Other	58,770	49,199	11,220	(44,321)
Extracurricular Activities	216,963	143,626	164,092	105,771
Interest and Fiscal Charges	10,460	10,460	15,604	15,604
<b>Total</b>	<u><u>\$15,414,963</u></u>	<u><u>\$11,652,211</u></u>	<u><u>\$14,134,813</u></u>	<u><u>\$10,563,057</u></u>

## **Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

Unaudited

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The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2017, approximately 75.6% of governmental activities were supported through taxes and other general revenues.

### **The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$13,634,086 and expenditures of \$12,282,365. The General Fund's balance increased \$1,182,258.

The fund balance of the Permanent Improvement Capital Projects Fund at June 30, 2017, is \$597,156, an increase of \$229,955 from the prior year, which is primarily due to transfers from the General Fund for various School District projects.

### ***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 2017, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The General Fund had original revenue budget estimates of \$12,291,768. The original budget estimates were increased to the final budget of \$13,444,499. The largest increases were in property taxes of \$317,005 and intergovernmental revenue of \$723,351. Actual revenues were \$102,251 below final budget estimates.

Original appropriations were \$12,327,641. The appropriations were increased to the final budget of \$13,008,005. The increase of \$680,364 was all in regular instruction. Actual expenditures were under appropriations by \$408,544 due to the School District monitoring their spending during fiscal year 2017.

The School District's ending unobligated General Fund balance was \$6,846,184.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of fiscal year 2017, the School District had \$9,044,768 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to 2016.



**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited*

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Table 4  
Capital Assets  
(Net of Depreciation)

	<u>2017</u>	<u>2016</u>
Land	\$44,623	\$44,623
Land Improvements	162,261	162,685
Construction in Progress	62,750	0
Buildings and Improvements	7,782,219	7,939,938
Furniture and Equipment	263,516	336,833
Vehicles	729,399	691,584
Totals	<u>\$9,044,768</u>	<u>\$9,175,663</u>

See Note 11 to the basic financial statements for more information on capital assets.

***Debt***

At June 30, 2017, the School District had \$193,428 in bonds and leases outstanding.

Table 5  
Outstanding Debt, at Fiscal Year End

	<u>2017</u>	<u>2016</u>
2008 School Improvement Refunding Bonds	\$160,000	\$240,000
Capital Leases	33,428	53,718

See Notes 17 and 18 to the basic financial statements for more information on debt.

**Economic Factors**

The School District relies on property taxes, along with State funding to fund its day to day operations. The development of new business in the School District is increasing. Menards has purchased land to build a complex within the School District and will be completed in 2018. State funding is projected to remain constant through the next biennium according to projections provided.

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

This financial report is designed to provide our citizen's, 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 Bruce Steenrod, Treasurer/CFO at Federal Hocking Local School District, 8461 State Route 144, Stewart, Ohio 45778. Or E-Mail at BSteenrod@fhlanders.com.

**Federal Hocking Local School District, Ohio**  
*Statement of Net Position*  
*June 30, 2017*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,581,829
Cash and Cash Equivalents in Segregated Accounts	51
Intergovernmental Receivable	600,301
Accounts Receivable	42,137
Prepaid Items	62,414
Inventory Held for Resale	12,423
Materials and Supplies Inventory	7,126
Property Taxes Receivable	4,615,151
Nondepreciable Capital Assets	107,373
Depreciable Capital Assets, Net	8,937,395
<i>Total Assets</i>	22,966,200
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	1,247
Pension	3,512,968
	3,514,215
<i>Total Deferred Outflows of Resources</i>	3,514,215
<b>Liabilities</b>	
Accounts Payable	146,995
Contracts Payable	22,695
Accrued Wages and Benefits Payable	828,098
Accrued Interest Payable	1,234
Matured Compensated Absences Payable	83,067
Intergovernmental Payable	385,548
Long-Term Liabilities:	
Due Within One Year	194,415
Due In More Than One Year:	
Net Pension Liability (See Note 13)	18,016,627
Other Amounts Due in More than One Year	652,975
	20,331,654
<i>Total Liabilities</i>	20,331,654
<b>Deferred Inflows of Resources</b>	
Property Taxes	4,250,636
Pension	330,926
	4,581,562
<i>Total Deferred Inflows of Resources</i>	4,581,562
<b>Net Position</b>	
Net Investment in Capital Assets	8,825,153
Restricted for:	
Capital Projects	644,403
Debt Service	148,390
Food Service	396,027
Local Initiatives	11,103
Classroom Facilities	149,647
Athletics	29,990
State Grants	63,925
Federal Grants	184,603
Unrestricted	(8,886,042)
	\$1,567,199
<i>Total Net Position</i>	\$1,567,199

See accompanying notes to the basic financial statements.

**Federal Hocking Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$7,956,322	\$863,390	\$435,510	(\$6,657,422)
Special	1,588,376	77	1,311,259	(277,040)
Vocational	211,545	0	83,211	(128,334)
Support Services:				
Pupils	446,234	0	110,733	(335,501)
Instructional Staff	12,611	0	298	(12,313)
Board of Education	53,174	0	0	(53,174)
Administration	962,543	526	15,419	(946,598)
Fiscal	388,468	0	284	(388,184)
Operation and Maintenance of Plant	1,169,470	0	16,942	(1,152,528)
Pupil Transportation	1,418,570	62,345	32,819	(1,323,406)
Central	244,025	13,315	10,620	(220,090)
Operation of Non-Instructional Services:				
Food Service Operations	677,432	21,496	701,600	45,664
Other	58,770	970	8,601	(49,199)
Extracurricular Activities	216,963	54,922	18,415	(143,626)
Interest and Fiscal Charges	10,460	0	0	(10,460)
<i>Totals</i>	<u>\$15,414,963</u>	<u>\$1,017,041</u>	<u>\$2,745,711</u>	<u>(11,652,211)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				2,766,871
Debt Service				48,330
Capital Improvements				459,169
Classroom Facilities Maintenance				44,037
Grants and Entitlements not Restricted to Specific Programs				8,627,174
Investment Earnings				25,972
Gifts and Donations not Restricted to Specific Programs				2,110
Gain on Sale of Capital Assets				902
Insurance Recoveries				7,537
Miscellaneous				1,650
<i>Total General Revenues</i>				<u>11,983,752</u>
<i>Change in Net Position</i>				331,541
<i>Net Position Beginning of Year</i>				<u>1,235,658</u>
<i>Net Position End of Year</i>				<u>\$1,567,199</u>

See accompanying notes to the basic financial statements

**Federal Hocking Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2017*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$7,129,444	\$610,716	\$841,669	\$8,581,829
Cash and Cash Equivalents in Segregated Accounts	0	0	51	51
Receivables:				
Property Taxes	3,865,938	628,753	120,460	4,615,151
Accounts	42,137	0	0	42,137
Intergovernmental	157,125	0	443,176	600,301
Interfund	113,442	0	0	113,442
Prepaid Items	60,292	0	2,122	62,414
Inventory Held for Resale	0	0	12,423	12,423
Materials and Supplies Inventory	3,336	0	3,790	7,126
<i>Total Assets</i>	<u>\$11,371,714</u>	<u>\$1,239,469</u>	<u>\$1,423,691</u>	<u>\$14,034,874</u>
<b>Liabilities</b>				
Accounts Payable	\$126,932	\$18,404	\$1,659	\$146,995
Contracts Payable	0	22,695	0	22,695
Accrued Wages and Benefits Payable	734,464	0	93,634	828,098
Matured Compensated Absences Payable	83,067	0	0	83,067
Interfund Payable	0	0	113,442	113,442
Intergovernmental Payable	295,894	0	89,654	385,548
<i>Total Liabilities</i>	<u>1,240,357</u>	<u>41,099</u>	<u>298,389</u>	<u>1,579,845</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	3,565,555	575,961	109,120	4,250,636
Unavailable Revenue	148,048	25,253	292,552	465,853
<i>Total Deferred Inflows of Resources</i>	<u>3,713,603</u>	<u>601,214</u>	<u>401,672</u>	<u>4,716,489</u>
<b>Fund Balances</b>				
Nonspendable	63,628	0	5,912	69,540
Restricted	0	597,156	802,102	1,399,258
Committed	18,230	0	10,368	28,598
Assigned	991,028	0	0	991,028
Unassigned	5,344,868	0	(94,752)	5,250,116
<i>Total Fund Balances</i>	<u>6,417,754</u>	<u>597,156</u>	<u>723,630</u>	<u>7,738,540</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$11,371,714</u>	<u>\$1,239,469</u>	<u>\$1,423,691</u>	<u>\$14,034,874</u>

See accompanying notes to the basic financial statements.

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

<b>Total Governmental Fund Balances</b>		<b>\$7,738,540</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,044,768
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	174,480	
Intergovernmental Revenue	287,646	
Miscellaneous Revenue	3,727	465,853
Accrued interest payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(1,234)
Deferred outflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		1,247
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	3,512,968	
Deferred Inflows - Pension	(330,926)	
Net Pension Liability	(18,016,627)	(14,834,585)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds Payable	(164,739)	
Capital Leases Payable	(33,428)	
Compensated Absences Payable	(649,223)	(847,390)
Net Position of Governmental Activities		<b>\$1,567,199</b>

See accompanying notes to the basic financial statements.

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

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$3,191,685	\$533,250	\$104,747	\$3,829,682
Intergovernmental	9,441,301	69,975	1,858,664	11,369,940
Investment Earnings	25,972	0	0	25,972
Tuition and Fees	925,737	0	0	925,737
Extracurricular Activities	12,764	0	54,922	67,686
Charges for Services	2,097	0	21,521	23,618
Gifts and Donations	12,166	2,010	33,033	47,209
Miscellaneous	22,364	140	131	22,635
<i>Total Revenues</i>	<u>13,634,086</u>	<u>605,375</u>	<u>2,073,018</u>	<u>16,312,479</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,067,525	186,013	416,442	7,669,980
Special	912,984	0	578,932	1,491,916
Vocational	198,015	0	106	198,121
Support Services:				
Pupils	317,838	0	102,973	420,811
Instructional Staff	10,147	2,027	277	12,451
Board of Education	53,175	30,334	0	83,509
Administration	858,683	1,179	13,500	873,362
Fiscal	330,350	15,271	3,071	348,692
Operation and Maintenance of Plant	993,621	103,468	75,784	1,172,873
Pupil Transportation	1,167,003	234,921	0	1,401,924
Central	223,615	0	0	223,615
Operation of Non-Instructional Services	2,078	0	693,830	695,908
Extracurricular Activities	147,331	0	62,876	210,207
Capital Outlay	0	38,014	0	38,014
Debt Service:				
Principal Retirement	0	20,290	80,000	100,290
Interest and Fiscal Charges	0	5,687	7,900	13,587
<i>Total Expenditures</i>	<u>12,282,365</u>	<u>637,204</u>	<u>2,035,691</u>	<u>14,955,260</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,351,721</u>	<u>(31,829)</u>	<u>37,327</u>	<u>1,357,219</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	902	0	902
Transfers In	43,789	253,345	2,252	299,386
Insurance Recoveries	0	7,537	0	7,537
Transfers Out	(213,252)	0	(86,134)	(299,386)
<i>Net Change in Fund Balances</i>	1,182,258	229,955	(46,555)	1,365,658
<i>Fund Balances Beginning of Year</i>	<u>5,235,496</u>	<u>367,201</u>	<u>770,185</u>	<u>6,372,882</u>
<i>Fund Balances End of Year</i>	<u>\$6,417,754</u>	<u>\$597,156</u>	<u>\$723,630</u>	<u>\$7,738,540</u>

See accompanying notes to the basic financial statements.

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

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**Net Change in Fund Balances - Total Governmental Funds** \$1,365,658

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Asset Additions	427,954	
Depreciation Expense	<u>(557,476)</u>	(129,522)

Capital Assets removed from the capital asset account on the statement of net assets results in a gain or loss on disposal of capital assets on the statement of activities. (1,373)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	(511,275)	
Intergovernmental Revenue	(42,154)	
Miscellaneous Revenue	<u>(20,985)</u>	(574,414)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 100,290

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Accrued Interest Payable	663	
Amortization of Premium	3,344	
Amortization of Deferred Amount on Refunding	<u>(880)</u>	3,127

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows. 931,658

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,430,978)

Compensated Absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 67,095

*Change in Net Position of Governmental Activities* \$331,541

See accompanying notes to the financial statements.

**Federal Hocking Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$2,806,867	\$3,123,872	\$3,124,040	\$168
Intergovernmental	8,690,167	9,413,518	9,300,398	(113,120)
Investment Earnings	11,500	22,747	25,972	3,225
Tuition and Fees	741,198	840,357	886,188	45,831
Charges for Services	40,000	40,000	0	(40,000)
Gifts and Donations	0	100	100	0
Miscellaneous	2,036	3,905	5,550	1,645
<i>Total Revenues</i>	<u>12,291,768</u>	<u>13,444,499</u>	<u>13,342,248</u>	<u>(102,251)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	12,204,246	12,884,610	7,212,154	5,672,456
Special	675	675	928,168	(927,493)
Vocational	808	808	200,979	(200,171)
Support Services:				
Pupils	0	0	327,753	(327,753)
Instructional Staff	0	0	9,310	(9,310)
Board of Education	0	0	67,179	(67,179)
Administration	434	434	863,853	(863,419)
Fiscal	721	721	344,578	(343,857)
Operation and Maintenance of Plant	94,988	94,988	1,117,861	(1,022,873)
Pupil Transportation	15,819	15,819	1,170,786	(1,154,967)
Central	0	0	209,914	(209,914)
Operation of Non-Instructional Services	0	0	231	(231)
Extracurricular Activities	9,950	9,950	146,695	(136,745)
<i>Total Expenditures</i>	<u>12,327,641</u>	<u>13,008,005</u>	<u>12,599,461</u>	<u>408,544</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(35,873)</u>	<u>436,494</u>	<u>742,787</u>	<u>306,293</u>
<b>Other Financing Sources (Use)</b>				
Refund of Prior Year Expenditures	75,000	75,000	26,762	(48,238)
Transfers In	0	43,789	43,789	0
Transfers Out	(200,000)	(213,252)	(213,252)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(125,000)</u>	<u>(94,463)</u>	<u>(142,701)</u>	<u>(48,238)</u>
<i>Net Change in Fund Balance</i>	(160,873)	342,031	600,086	258,055
<i>Fund Balance Beginning of Year</i>	6,016,494	6,016,494	6,016,494	0
Prior Year Encumbrances Appropriated	229,604	229,604	229,604	0
<i>Fund Balance End of Year</i>	<u>\$6,085,225</u>	<u>\$6,588,129</u>	<u>\$6,846,184</u>	<u>\$258,055</u>

See accompanying notes to the basic financial statements.



**Federal Hocking Local School District, Ohio**

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2017*

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	Private Purpose Trust <u>Scholarship</u> <u>Fund</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$267	\$36,731
Accrued Interest Receivable	140	0
Investments	<u>257,529</u>	<u>0</u>
<i>Total Assets</i>	<u>257,936</u>	<u>\$36,731</u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$36,731</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$36,731</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$257,936</u>	

See accompanying notes to the basic financial statements.

**Federal Hocking Local School District, Ohio**

*Statement of Changes in Net Position  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2017*

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	Private Purpose Trust <hr/> Scholarship Fund <hr/>
<b>Additions</b>	
Investment Earnings	<hr/> \$2,981
<i>Total Additions</i>	<hr/> 2,981
<b>Deductions</b>	
Scholarships	<hr/> 4,219
<i>Change in Net Position</i>	(1,238)
<i>Net Position Beginning of Year</i>	<hr/> 259,174
<i>Net Position End of Year</i>	<hr/> <hr/> \$257,936

See accompanying notes to the basic financial statements.

## **Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

Federal Hocking Local School District is a rural school located in Athens County, in the Appalachian region of the State, and consists of the villages of Amesville, Coolville, Guysville, and Stewart. The School District is staffed by 88 certificated employees and 57 classified employees who provide services to 1,103 students. The School District currently operates two elementary schools, one middle school, one high school, and one garage.

#### **Reporting Entity:**

The reporting entity is 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 Federal Hocking Local School District, this includes general operations, food service, preschool, vocational instruction, and student related activities of the School District.

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

The School District participates in two jointly governed organizations and four insurance purchasing pools. These organizations are the Metropolitan Educational Technology Association (META) Solutions, the Coalition of Rural and Appalachian Schools, the Ohio School Plan, the Ohio School Board Association Workers' Compensation Group Rating Plan, the Metropolitan Educational Council, and the Athens County School Employee Health and Welfare Benefit Association. These organizations are presented in Notes 19 and 20 to the basic financial statements.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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### **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 the fiduciary funds. The statements usually distinguish between those activities that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

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

**Fund Financial Statements** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. 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. The School District has no proprietary funds.

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

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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**General Fund** The General Fund accounts for and reports 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 and transferred according to the general laws of Ohio.

**Permanent Improvement Capital Projects Fund** This fund accounts for the accumulation of resources from taxes that are used to pay for capital and permanent improvement costs of the School.

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

### **Fiduciary Funds:**

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

### **C. Measurement Focus and Basis of Accounting**

#### **Government-wide Financial Statements**

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

#### **Fund Financial Statements**

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

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

## **Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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### **D. Basis of Accounting**

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

### **Revenues - Exchange and Non-Exchange Transactions**

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, intergovernmental revenues, charges for services, and fees.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 15. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13)

### **E. Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set 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. Allocation of appropriations to the function and object levels are made by the Treasurer.

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

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

### **F. Cash and Cash Equivalents**

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

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

## **Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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The School District's investments consist of certificates of deposit in the trust fund and monies held in STAR Ohio. These investments are reported at cost.

The School District has a segregated bank account for athletic activities. This depository account is presented as "cash and cash equivalents in segregated accounts" since it is not deposited into the School District treasury.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$25,972, which includes \$3,804 assigned from other School District funds.

### **G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

### **H. Prepaid Items**

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

### **I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the



**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

Description	Estimated Lives
Land Improvements	10-20 years
Buildings and Improvements	10-50 years
Furniture and Equipment	5 - 20 years
Vehicles	10 years

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for the accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as “matured compensated absences payable” in the fund from which the employees who will receive the payment are paid.

**K. Bond Premium**

On government-wide financial statement, bond premiums are amortized over the term of the bonds using the straight-line method, which approximates effective interest method. Bond premiums are presented as an addition of the face amount of the bonds. On the governmental fund statements, bond premiums are recorded in the fiscal year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

## Federal Hocking Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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### **L. Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

### **M. Accrued Liabilities and Long-Term Obligations**

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

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

### **N. Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

### **O. Fund Balance**

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

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined 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 the 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 the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

### **P. Pensions**

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

### **Q. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items reported for fiscal year 2017.

**S. Estimates**

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

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2017, the School District implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

**NOTE 4 - FUND BALANCES**

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

<u>Fund Balances</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Nonspendable:</u>				
Prepays	\$60,292	\$0	\$2,122	\$62,414
Materials and Supplies Inventory	3,336	0	3,790	7,126
<i>Total Nonspendable</i>	<u>63,628</u>	<u>0</u>	<u>5,912</u>	<u>69,540</u>
<u>Restricted for:</u>				
Local Grant Expenditures	0	0	11,103	11,103
Food Service Operations	0	0	413,216	413,216
State Grant Expenditures	0	0	55,533	55,533
Athletic and Music Programs	0	0	29,990	29,990
Debt Service Payments	0	0	146,037	146,037
Capital Improvements	0	597,156	146,223	743,379
<i>Total Restricted</i>	<u>0</u>	<u>597,156</u>	<u>802,102</u>	<u>1,399,258</u>
<u>Committed to:</u>				
Typing Program Subscription	1,840	0	0	1,840
Smartbook Repairs	400	0	0	400
Cromebooks	4,990	0	0	4,990
Scholarships	0	0	10,368	10,368
Underground Storage Tanks	11,000	0	0	11,000
<i>Total Restricted</i>	<u>18,230</u>	<u>0</u>	<u>10,368</u>	<u>28,598</u>
<u>Assigned to:</u>				
Purchases on Order	217,500	0	0	217,500
Public School Support	38,681	0	0	38,681
Fiscal Year 2018 Appropriations	734,847	0	0	734,847
<i>Total Assigned</i>	<u>991,028</u>	<u>0</u>	<u>0</u>	<u>991,028</u>
Unassigned (Deficit):	5,344,868	0	(94,752)	5,250,116
<i>Total Fund Balances</i>	<u>\$6,417,754</u>	<u>\$597,156</u>	<u>\$723,630</u>	<u>\$7,738,540</u>

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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**NOTE 5 - FUND DEFICITS**

The following funds had deficit fund balances as of June 30, 2017:

<b>Special Revenue Funds:</b>	
Title I	(\$14,245)
Title VI-B	(8,689)
Title II-A	(4,424)
Miscellaneous Federal Grants	(65,889)
	<u>(\$93,247)</u>

The deficits in the Special Revenue Funds are the result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

**NOTE 6 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget 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 GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than committed or assigned fund balance (GAAP).
4. Prepaid items and negative cash advances to other funds are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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Net Change in Fund Balance

GAAP Basis	\$1,182,258
Revenue Accruals	(206,518)
Expenditure Accruals	(650,838)
Beginning:	
Prepaid Items	20,536
Negative cash advances to other funds	78,985
Ending:	
Prepaid Items	(60,292)
Negative cash advances to other funds	(109,896)
To reclassify excess of revenues over expenditures into financial statement fund types	1,128
Encumbrances	344,723
Budget Basis	<u><u>\$600,086</u></u>

**NOTE 7 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, 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;

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations or political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$4,590,402 of the School District's bank balance of \$6,130,829 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a



**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

**Investments** As of June 30, 2017, the School District had the following investment:

	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard &amp; Poor's Rating</u>
Net Asset Value Per Share Star Ohio	\$3,015,555	Average 45.5 days	AAAm

**Interest Rate Risk:** The School District’s investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sell negotiable instruments prior to maturity in accord with the law. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk:** STAR Ohio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**NOTE 8 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District’s 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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected with real property taxes.

Public utility real property is assessed at thirty-five 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 Athens and Morgan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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

The amount available as an advance at June 30, 2017, was \$157,466 in the General Fund, \$2,835 in the Bond Retirement Debt Service Fund, \$27,539 in the Permanent Improvement Capital Projects Fund, and \$2,195 in the Classroom Facilities Special Revenue Fund.

The amount available as an advance at June 30, 2016, was \$89,821 in the General Fund, \$1,796 in the Bond Retirement Debt Service Fund, \$15,713 in the Permanent Improvement Capital Projects Fund, and \$1,230 in the Classroom Facilities Special Revenue Fund.

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

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

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$127,108,940	78.88%	\$128,734,590	75.49%
Commerical/Industrial and Public Utility Real	16,423,230	10.19%	9,515,700	5.58%
Public Utility Personal	17,608,540	10.93%	32,290,620	18.93%
	\$161,140,710	100.00%	\$170,540,910	100.00%
Tax Rate per \$1,000 of assessed valuation		\$29.90	\$29.86	

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2017, consisted of property taxes, accounts (billings for user charged services, and student fees), interfund, and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Other than delinquent property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year. The delinquent property taxes amounted to \$174,480.

A summary of the principal items of intergovernmental receivables follows:

**Federal Hocking Local School District, Ohio**

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	<u>Amounts</u>
<b>Governmental Activities</b>	
Title I	\$148,292
Title II-A	103,088
21st Century Grants	99,625
ESC Preschool Grant	88,964
Special Education, Part B-IDEA	73,493
Ohio Department of Education Foundation Adjustment	42,050
Workers Comp. Refund	21,203
Vocational Agriculture Grant	8,392
Rural and Low-Income, Title VI-B	6,116
Medicaid Reimbursement	4,658
Early Childhood Special Education, IDEA	4,170
Professional Development Reimbursement	250
Total	<u><u>\$600,301</u></u>

**NOTE 10 - SIGNIFICANT COMMITMENTS**

**A. Contractual Commitments**

As of June 30, 2017 the School District has contractual Purchase commitments as follows:

<u>Project</u>	<u>Fund</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/2017</u>
Fieldhouse Project	Permanent Improvement	\$208,399	\$33,846	\$174,553
High School Recycle Building	Permanent Improvement	21,886	13,677	8,209
Amesville Storage Building	Permanent Improvement	16,970	15,227	1,743
Total Contractual Commitments		<u><u>\$247,255</u></u>	<u><u>\$62,750</u></u>	<u><u>\$184,505</u></u>

**B. Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$345,821
Permanent Improvement Capital Projects Fund	188,588
Nonmajor Funds	92,595
Agency Funds	1,951
Total	<u><u>\$628,955</u></u>

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

**NOTE 11 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2017</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$44,623	\$0	\$0	\$44,623
Construction in Progress	<u>0</u>	<u>62,750</u>	<u>0</u>	<u>62,750</u>
Total Capital Assets not being Depreciated	<u>44,623</u>	<u>62,750</u>	<u>0</u>	<u>107,373</u>
Depreciable Capital Assets:				
Land Improvements	1,060,630	35,984	0	1,096,614
Buildings and Improvements	13,713,919	131,813	0	13,845,732
Furniture and Equipment	2,373,331	11,275	0	2,384,606
Vehicles	<u>1,914,312</u>	<u>186,132</u>	<u>(138,152)</u>	<u>1,962,292</u>
Total Capital Assets being Depreciated	<u>19,062,192</u>	<u>365,204</u>	<u>(138,152)</u>	<u>19,289,244</u>
Less Accumulated Depreciation				
Land Improvements	(897,945)	(36,408)	0	(934,353)
Buildings and Improvements	(5,773,981)	(289,532)	0	(6,063,513)
Furniture and Equipment	(2,036,498)	(84,592)	0	(2,121,090)
Vehicles	<u>(1,222,728)</u>	<u>(146,944)</u>	<u>136,779</u>	<u>(1,232,893)</u>
Total Accumulated Depreciation	<u>(9,931,152)</u>	<u>(557,476) *</u>	<u>136,779</u>	<u>(10,351,849)</u>
Total Capital Assets being Depreciated, Net	<u>9,131,040</u>	<u>(192,272)</u>	<u>(1,373)</u>	<u>8,937,395</u>
Capital Assets, Net	<u>\$9,175,663</u>	<u>(\$129,522)</u>	<u>(\$1,373)</u>	<u>\$9,044,768</u>

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

Instruction:	
Regular	\$258,105
Special	42,009
Vocational	7,779
Support Services:	
Pupils	11,055
Instructional Staff	160
Administration	25,055
Fiscal	6,323
Operation and Maintenance of Plant	45,306
Pupil Transportation	124,002
Central	4,422
Food Service Operations	30,890
Extracurricular Activities	<u>2,370</u>
Total Depreciation Expense	<u>\$557,476</u>

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**NOTE 12 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District participates 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, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 20). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$51,950,390
Crime (\$1,000 deductible):	
Employee Theft	25,000
Forgery or Alteration	25,000
Inside Premises	10,000
Outside Premises	10,000
Liability:	
Bodily Injury and Property Damage	2,000,000
Personal and Advertising Injury	2,000,000
General Aggregate Limit	4,000,000
Completed Operations Aggregate Limit	2,000,000
Employers' - Stop Gap - Bodily Injury	2,000,000
Educational Legal - Errors and Omissions (\$2,500 deductible):	
Injury Limit	2,000,000
Aggregate Limit	4,000,000
Automobile Liability:	
Liability	2,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000
Deductibles:	
Comprehensive	1,000
Collision	1,000

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

In fiscal year 2017, the School District participated in the Metropolitan Educational Council (MEC), an insurance purchasing pool (See Note 20). MEC helps member school districts receive discounted rates on various items such as their life, property, boiler and machinery, inland marine, crime, and freight insurance, services, supplies, and other items.

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). 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.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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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 in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

For fiscal year 2017, the School District was a member of the Athens County School Employee Health and Welfare Benefit Association (the Consortium), an insurance purchasing pool (See Note 20), through which a cooperative Health Benefit Program was created for the benefit of its members. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating School Districts. These funds are pooled together for the purposes of paying health and dental benefit claims of employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. Net Pension Liability**

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

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

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

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$264,223 for fiscal year 2017. Of this amount, \$77,380 is reported as an intergovernmental payable.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

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

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

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



**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$667,435 for fiscal year 2017. Of this amount, \$116,354 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.05588640%	0.04111360%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.05852550%</u>	<u>0.04102738%</u>	
Change in Proportionate Share	<u>0.00263910%</u>	<u>-0.00008622%</u>	
Proportionate Share of the Net			<u>Total</u>
Pension Liability	\$4,283,526	\$13,733,101	<u>\$18,016,627</u>
Pension Expense	\$522,508	\$908,470	\$1,430,978

**Federal Hocking Local School District, Ohio**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$57,774	\$554,884	\$612,658
Changes of assumptions	285,949	0	285,949
Net difference between projected and actual earnings on pension plan investments	353,329	1,140,216	1,493,545
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	189,158	0	189,158
School District contributions subsequent to the measurement date	<u>264,223</u>	<u>667,435</u>	<u>931,658</u>
Total Deferred Outflows of Resources	<u>\$1,150,433</u>	<u>\$2,362,535</u>	<u>\$3,512,968</u>
<b>Deferred Inflows of Resources</b>			
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	<u>\$0</u>	<u>\$330,926</u>	<u>\$330,926</u>
Total Deferred Inflows of Resources	<u>\$0</u>	<u>\$330,926</u>	<u>\$330,926</u>

\$931,658 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$251,443	\$160,326	\$411,769
2019	251,188	160,326	411,514
2020	282,012	597,858	879,870
2021	<u>101,567</u>	<u>445,664</u>	<u>547,231</u>
Total	<u>\$886,210</u>	<u>\$1,364,174</u>	<u>\$2,250,384</u>

***Actuarial Assumptions - SERS***

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

**Federal Hocking Local School District, Ohio**

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

**Federal Hocking Local School District, Ohio**

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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	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$5,671,122	\$4,283,526	\$3,122,051

**Actuarial Assumptions - STRS**

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

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

**Federal Hocking Local School District, Ohio**

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

**Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
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discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$18,250,175	\$13,733,101	\$9,922,682

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

**B. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2017, no Board Members have elected Social Security. The contribution rate would be 6.2 percent of wages.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. 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 2017, no allocation

## **Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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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 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$32,504.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$32,504, \$29,210, and \$13,805, respectively.

### **B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

### **NOTE 15 - EMPLOYEE BENEFITS**

#### **A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified and administrative employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated vacation time may be carried forward for the Treasurer and upon approval of the Superintendent, for all other classified employees. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to an unlimited number of days for certified employees and a maximum of 350 days for classified employees. Upon retirement, classified employees may choose between two choices of severance. They can receive severance pay equal to \$25 per day of unused accumulated sick leave to a maximum of 350 days or one-fourth of the unused accumulated sick leave to a maximum of 60 days multiplied by the daily rate.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

Certified employees can choose between a severance payment equal to \$50 per day of unused accumulated sick leave to a maximum of 350 days or one-fourth of accrued, but unused sick leave credit to a maximum of 60 days paid based on the employee’s current rate of pay.

**B. Other Employee Insurance**

The School District provides life insurance and accidental death and dismemberment insurance through Metropolitan Educational Council Group Life Insurance, in the amount of \$30,000 for all employees. The School District also provides vision insurance to its employees through Vision Service Plan.

**NOTE 16 - INTERFUND BALANCES AND TRANSFERS**

**A. Transfers**

The General Fund made transfers to the Permanent Improvement Fund for capital expenditures and the Food Service Fund to supplement the program in the amounts of \$211,000 and \$2,252, respectively. The Locally Funded Initiative Building Fund made transfers to the General Fund and Permanent Improvement Fund in the amounts of \$23,691 and \$42,345, respectively. The Local Share Project Construction Fund also transferred \$20,098 to the General Fund. These transfers were made to finalize the school facilities project and reimburse the other funds for expenditures on the project.

**B. Interfund Balances**

Unpaid interfund cash advances at June 30, 2017, were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$113,442	\$0
Nonmajor Special Revenue Funds:		
Special Education, Part B-IDEA	0	24,145
Title I	0	49,515
Title II-A	0	9,582
Miscellaneous Federal Grants	0	30,200
Total All Funds	<u>\$113,442</u>	<u>\$113,442</u>

The interfund receivables/payables are due to cash deficits and lags between the dates interfund goods and services are provided, transactions were recorded in the accounting system, and payments between funds were made.

**NOTE 17 - CAPITAL LEASES**

In prior fiscal years, the School District entered into an agreement to lease copiers. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the financial statements. Capital lease payments are reflected as debt service expenditures in the financial statements for the Governmental Funds for \$20,290. The capital lease obligation represents the present value of the net future minimum lease payments on the capital lease.



**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

	<u>Governmental Activities</u>
Furniture and Equipment	\$96,600
Less Accumulated Depreciation	<u>(46,287)</u>
Total June 30, 2017	<u><u>\$50,313</u></u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2017.

	<u>Governmental Activities</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$22,955	\$3,020
2019	10,473	350
Total	<u><u>\$33,428</u></u>	<u><u>\$3,370</u></u>

**NOTE 18 - LONG-TERM OBLIGATIONS**

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

	<u>Principal Outstanding 6/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/17</u>	<u>Amounts Due Within One Year</u>
Bonds:					
2008 School Improvement Refunding					
Bonds - 3.0% - 4.0%	\$240,000	\$0	\$80,000	\$160,000	\$80,000
Premium on Refunding Bonds	8,083	0	3,344	4,739	0
Total Bonds	<u>248,083</u>	<u>0</u>	<u>83,344</u>	<u>164,739</u>	<u>80,000</u>
Net Pension Liability:					
STRS	11,362,597	2,370,504	0	13,733,101	0
SERS	3,188,931	1,094,595	0	4,283,526	0
Total Net Pension Liability	<u>14,551,528</u>	<u>3,465,099</u>	<u>0</u>	<u>18,016,627</u>	<u>0</u>
Capital Leases Payable	53,718	0	20,290	33,428	22,955
Compensated Absences	716,318	66,069	133,164	649,223	91,460
Total Long-Term Obligations	<u><u>\$15,569,647</u></u>	<u><u>\$3,531,168</u></u>	<u><u>\$236,798</u></u>	<u><u>\$18,864,017</u></u>	<u><u>\$194,415</u></u>

On July 24, 2008, the School District issued \$690,000 in general obligation refunding bond to retire \$690,000 of outstanding 1995 classroom facilities construction and improvements term bonds. \$699,097 was paid to bondholders on August 24, 2008, to retire the 1995 bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$9,097. This difference, reported as a deferred charge on refunding, is being charged to interest through fiscal year 2019. The School District decreased its total debt service payments by \$82,652 as a result of the current refunding.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

The refunding bonds issue included serial and capital appreciation bonds in the amount of \$670,000 and \$20,000, respectively. The bonds are being retired from the Bond Retirement Debt Service Fund. The serial general obligation bonds were sold at a premium of \$34,560 and will be amortized over the term of the bonds.

The refunding bonds are not subject to redemption prior to stated maturity. The capital appreciation bonds matured in fiscal year 2015. The maturity amount of the bonds was \$70,000.

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

Fiscal Year Ending	Serial	
	Principal	Interest
2018	\$80,000	\$4,800
2019	80,000	1,600
	<u>\$160,000</u>	<u>\$6,400</u>

The capital leases will be paid from the Permanent Improvement Capital Projects Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service Special Revenue Fund. There is no repayment schedule for the net pension liability. However, employee pension contributions are made from the following funds: the General Fund and the Title IDEA-B Grant, Title I Grant, Title II-A Grant, Vocational Education Enhancement, and Food Service Special Revenue Funds. For additional information related to the net pension liability, see Note 13.

The School District's overall debt margin was \$15,314,719, with an unvoted debt margin of \$170,541 at June 30, 2017.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Metropolitan Educational Technology Association (META)**

The School District participates in the Metropolitan Educational Technology Association (META) Solutions, formed from the merger of the Metropolitan Educational Council (MEC) and the Southern Ohio Voluntary Education Cooperative (SEOVEC) during fiscal year 2017, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2017, the School District paid \$19,532 for services with META/MEC/SEOVEC. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**B. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2017, the School District made a payment of \$325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

**NOTE 20 - INSURANCE PURCHASING POOL**

**A. Ohio School Plan**

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (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 of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a thirteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**B. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**C. Metropolitan Educational Council**

The School District participates in the Metropolitan Educational Council (MEC), an insurance purchasing pool. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The organization is composed of over 200 members which includes school districts, joint vocational schools, educational service centers, and libraries in Ohio.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County, and one representative from each county outside of Franklin County. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program.

**D. Athens County School Employee Health and Welfare Benefit Association**

The School District participates in a consortium of seven districts to operate the Athens County School Employee Health and Welfare Benefit Association. The Association was created to provide health care and dental benefits for the employees and eligible dependents of employees of participating districts. The Association has contracted with Anthem Insurance Company to be a health care provider for medical benefits as well as to provide aggregate and stop loss insurance coverage, and Coresource to provide administration for its dental benefits. The Association is governed by a board of directors consisting of one representative from each of the participating districts. Financial information for the association can be obtained from the administrators at Combs & Associates, P.O. Box 98, Dola, Ohio 45835.

**NOTE 21 - SET-ASIDE CALCULATIONS**

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

The following cash basis information describes the change in the fiscal year end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	180,660
Offsetting Credits	(568,410)
Qualifying Disbursements	(42,078)
Total	<u><u>(\$429,828)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future fiscal years.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants.

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

**B. Litigation**

As of June 30, 2017, the School District is currently not a party to any material legal proceedings.

**C. School Foundation**

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 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.0585255%	0.0558864%	0.053444%	0.053444%
School District's Proportionate Share of the Net Pension Liability	\$4,283,526	\$3,188,931	\$2,704,770	\$3,178,143
School District's Covered Payroll	\$1,861,607	\$1,683,498	\$1,565,743	\$1,278,504
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	230.10%	189.42%	172.75%	248.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

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

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04102738%	0.04111360%	0.04286837%	0.04286837%
School District's Proportionate Share of the Net Pension Liability	\$13,733,101	\$11,362,597	\$10,427,071	\$12,420,659
School District's Covered Payroll	\$4,332,707	\$4,314,864	\$4,377,077	\$3,725,954
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	316.96%	263.34%	238.22%	333.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

**Federal Hocking Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$264,223	\$260,625	\$221,885	\$217,012
Contributions in Relation to the Contractually Required Contribution	<u>(264,223)</u>	<u>(260,625)</u>	<u>(221,885)</u>	<u>(217,012)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,887,307	\$1,861,607	\$1,683,498	\$1,565,743
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%



<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$176,945	\$225,014	\$172,099	\$280,164	\$122,592	\$148,356
<u>(176,945)</u>	<u>(225,014)</u>	<u>(172,099)</u>	<u>(280,164)</u>	<u>(122,592)</u>	<u>(148,356)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,278,504	\$1,672,969	\$1,369,128	\$2,069,155	\$1,245,853	\$1,510,753
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**Federal Hocking Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$667,435	\$606,579	\$604,081	\$569,020
Contributions in Relation to the Contractually Required Contribution	<u>(667,435)</u>	<u>(606,579)</u>	<u>(604,081)</u>	<u>(569,020)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$4,767,393	\$4,332,707	\$4,314,864	\$4,377,077
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$484,374	\$649,962	\$575,668	\$591,306	\$616,688	\$639,964
<u>(484,374)</u>	<u>(649,962)</u>	<u>(575,668)</u>	<u>(591,306)</u>	<u>(616,688)</u>	<u>(639,964)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,725,954	\$4,999,708	\$4,428,215	\$4,548,508	\$4,743,754	\$4,922,800
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Federal Hocking Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2017*

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**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT**  
Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2017

Federal Grantor / Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Pass through to Subrecipient	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>							
<i>Passed Through Ohio Department of Education:</i>							
<i>Nutrition Cluster:</i>							
School Breakfast Program	2016/2017	10.553	\$0	\$310,467	\$0	\$310,467	\$0
National School Lunch Program	2016/2017	10.555	0	395,652	44,335	395,652	44,335
<i>Total Nutrition Cluster</i>			0	706,119	44,335	706,119	44,335
<b>Total U.S. Department of Agriculture</b>			0	706,119	44,335	706,119	44,335
<b>U.S. Department of Education</b>							
<i>Passed Through Ohio Department of Education:</i>							
Title I Grants to Local Educational Agencies	2016	84.010	0	110,542	0	63,722	0
Title I Grants to Local Educational Agencies	2017	84.010	0	292,943	0	342,583	0
<i>Total Title I</i>			0	403,485	0	406,305	0
<i>Special Education Cluster:</i>							
Special Education - Grants to States (IDEA Part B)	2016	84.027	0	50,631	0	28,918	0
Special Education - Grants to States (IDEA Part B)	2017	84.027	0	232,888	0	257,033	0
Special Education - Preschool Grants	2016	84.173	0	134	0	134	0
Special Education - Preschool Grants	2017	84.173	0	8,470	0	8,470	0
<i>Total Special Education Cluster</i>			0	292,123	0	294,555	0
Twenty-First Century Community Learning Centers	2016	84.287	0	82,734	0	82,734	0
Twenty-First Century Community Learning Centers	2017	84.287	0	123,502	0	140,729	0
Twenty-First Century Community Learning Centers	2016	84.287	0	75,534	0	75,534	0
Twenty-First Century Community Learning Centers	2017	84.287	0	76,873	0	86,300	0
<i>Total Twenty-First Century Community Learning Centers</i>			0	358,643	0	385,297	0
Rural Education	2016	84.358	0	2,000	0	0	0
Rural Education	2017	84.358	0	17,996	0	17,996	0
<i>Total Rural Education</i>			0	19,996	0	17,996	0
Improving Teacher Quality	2016	84.367	0	22,956	0	14,382	0
Improving Teacher Quality	2017	84.367	0	60,291	0	69,873	0
<i>Total Improving Teacher Quality</i>			0	83,247	0	84,255	0
<b>Total U.S. Department of Education</b>			0	1,157,494	0	1,188,408	0
<b>Total Federal Financial Assistance</b>			\$0	\$1,863,613	\$44,335	\$1,894,527	\$44,335

The accompanying notes to the Schedule of Federal Awards Revenues and Expenditures are an integral part of the Schedule.

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT**  
*Notes to the Schedule of Expenditures of Federal Awards*  
For the Fiscal Year Ended June 30, 2017

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**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B - 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 Award*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards***

Board of Education  
Federal Hocking Local School District  
8461 State Route 144  
Stewart, OH 45778

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Federal Hocking Local School District (the School District), Athens County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 18, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of supporting our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Education  
Federal Hocking Local School District  
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*

### **Compliance and Other Matters**

As part of obtaining reasonable assurance whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

December 18, 2017



**Independent Auditor's Report on Compliance with Requirements Applicable for Each Major Program  
and on Internal Control over Compliance Required by Uniform Guidance**

Board of Education  
Federal Hocking Local School District  
8461 State Route 144  
Stewart, OH 45778

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

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

***Management's Responsibility***

The School District's Management is responsible for complying with 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 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 requirements of the 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 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 that our audit provides a reasonable basis for our opinion on compliance for the School District's major federal programs. However, our audit does not provide a legal determination of the School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material aspects, with the compliance requirements referred to above that could directly and materially affect its major federal programs identified in the *Summary of Auditor's Results* in the accompanying schedule of findings for the year ended June 30, 2017.

**Report on Internal Control over Compliance**

Management of Federal Hocking Local School District is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the applicable requirements that could have a direct and material effect on the major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with an applicable compliance requirement of a federal program on a timely basis. *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's compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with an applicable compliance requirement of a federal program 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be a material weakness or significant deficiency. 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

December 18, 2017

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT**

*Schedule of Findings*

*For the Fiscal Year Ended June 30, 2017*

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

1.	<i>Type of Financial Statement Opinion</i>	Unmodified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3.	<i>Were there any other significant internal control deficiency reported at the financial statement level (GAGAS)?</i>	No
4.	<i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	No
5.	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6.	<i>Were there any other significant internal control deficiency reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
8.	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
9.	<i>Major Programs (list):</i>	CFDA # 84.010 Title I CFDA # 84.287 Twenty-First Century Community Learning Centers
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: All Other Programs
11.	<i>Low Risk Auditee under 2 CFR §200.520?</i>	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

**C. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to Federal Awards to be reported.

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# Dave Yost • Auditor of State

FEDERAL-HOCKING LOCAL SCHOOL DISTRICT

ATHENS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 22, 2018