INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Indian Creek Local School District
Jefferson County
587 Bantam Ridge Road
Wintersville, Ohio 43953

To the Board of Education:

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 the Indian Creek Local School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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 Indian Creek Local School District, Jefferson County, Ohio, as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2018 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 22, 2018

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The management's discussion and analysis of Indian Creek Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's 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 fiscal year 2017 are as follows:

- Debt obligations decreased during fiscal year 2017 due to annual general obligation debt and capital lease payments.

- The capital asset additions for fiscal year 2017 included construction in progress on the middle school for corrective work and a variety of land improvements and furniture and equipment. Capital asset deletions included 3 buses.

- The School District's enrollment decreased from 2,274 students in fiscal year 2016 to 2,237 students in fiscal year 2017. Non-certified staff increased from 94 employees in fiscal year 2016 to 97 employees in fiscal year 2017.

- School Choice, under which the School District must pay community schools for students who live within the School District and attend community schools, cost the School District $450,140 in fiscal year 2017 compared to $400,749 in fiscal year 2016, $455,356 in fiscal year 2015, $466,710 in fiscal year 2014 and $375,000 in fiscal year 2013.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers 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* answers this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual 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 this 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 performance, demographic and socioeconomic factors and willingness of the community to support the School District.

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food 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 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

Governmental Funds

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

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

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Position for fiscal year 2017 compared to fiscal year 2016:

(Table 1)
Net Position
Governmental Activities

	2017	2016	Change
Assets			
Current and Other Assets	$14,519,696	$12,968,442	$1,551,254
Capital Assets, Net	19,341,330	20,098,556	(757,226)
Total Assets	33,861,026	33,066,998	794,028
Deferred Outflows of Resources			
Deferred Charge on Refunding	1,153,335	1,215,675	(62,340)
Pension	4,867,361	2,335,552	2,531,809
Total Deferred Outflows of Resources	6,020,696	3,551,227	2,469,469
Liabilities			
Current Liabilities	2,343,152	2,315,934	(27,218)
Long-Term Liabilities			
Due Within One Year	525,385	608,916	83,531
Due In More Than One Year			
Net Pension Liability	26,105,250	21,386,883	(4,718,367)
Other Amounts	13,037,025	13,486,103	449,078
Total Liabilities	42,010,812	37,797,836	(4,212,976)
Deferred Inflows of Resources			
Property Taxes	7,167,470	6,798,526	(368,944)
Pension	337,152	1,727,063	1,389,911
Total Deferred Inflows of Resources	7,504,622	8,525,589	1,020,967
Net Position			
Net Investment in Capital Assets	8,125,599	8,509,865	(384,266)
Restricted for:			
Capital Projects	1,251,584	853,874	397,710
Debt Service	414,243	693,728	(279,485)
Other Purposes	1,535,481	1,321,978	213,503
Unrestricted (Deficit)	(20,960,619)	(21,084,645)	124,026
Total Net Position	($9,633,712)	($9,705,200)	$71,488

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. 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.

The School District had an increase in total assets due to an increase in cash and property taxes receivable that was offset by a decrease in capital assets. The increase in cash is due to increased revenues and decreased expenditures. The increase in property taxes receivables is due to increased assessed property values. The decrease in capital assets is due to current year depreciation outpacing current year additions. Total liabilities increased predominantly from 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 further details regarding the results of activities for fiscal years 2017 and 2016.

(Table 2)
Change in Net Position
Governmental Activities

	2017	2016	Change
Revenues			
Program Revenues			
Charges for Services and Sales	$2,744,816	$2,557,851	$186,965
Operating Grants, Interest and Contributions	3,565,599	3,187,546	378,053
Capital Grants and Interest	64,201	66,906	(2,705)
Total Program Revenues	6,374,616	5,812,303	562,313
General Revenues			
Property Taxes	8,926,122	8,047,157	878,965
Grants and Entitlements not Restricted	9,475,204	9,560,485	(85,281)
Investment Earnings	1,128	1,272	(144)
Unrestricted Contributions	24,785	28,692	(3,907)
Miscellaneous	101,384	37,512	63,872
Total General Revenues	18,528,623	17,675,118	853,505
Total Revenues	24,903,239	23,487,421	1,415,818
Program Expenses			
Current:			
Instruction	15,275,286	15,378,123	102,837
Support Services:			
Pupils	900,611	697,679	(202,932)
Instructional Staff	531,023	486,558	(44,465)
Board of Education	14,160	15,437	1,277
Administration	2,157,035	2,067,557	(89,478)
Fiscal	537,799	532,819	(4,980)
Business	30,633	25,459	(5,174)
Operation and Maintenance of Plant	2,020,379	1,900,341	(120,038)
Pupil Transportation	1,148,365	1,044,289	(104,076)
Central	271,004	265,674	(5,330)
Extracurricular Activities	511,637	490,116	(21,521)
Operation of Non-Instructional Services	92,997	128,293	35,296
Operation of Food Service	811,198	889,570	78,372
Interest and Fiscal Charges	529,624	278,030	(251,594)
Total Program Expenses	24,831,751	24,199,945	(631,806)
Change in Net Position	71,488	(712,524)	784,012
Net Position Beginning of Year	(9,705,200)	(8,992,676)	(712,524)
Net Position End of Year	($9,633,712)	($9,705,200)	$71,488

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home were reappraised and increased to

$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than $35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus School District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Although the School District relies upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset operating costs.

The School District saw an increase in revenues resulting from improved property tax collections coupled with an increase in operating grants. The increase in operating grants is the result of the School District continuing to seek out additional sources of revenues for funding.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salary and benefits which increase at set levels every year through negotiated agreements.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2017 compared to fiscal year 2016.

(Table 3)
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Instruction	$15,275,286	$10,617,798	$15,378,123	$11,280,079
Support Services:				
Pupils and Instructional Staff	1,431,634	1,191,102	1,184,237	918,023
Board of Education,				
Administration, Fiscal and Business	2,739,627	2,601,821	2,641,272	2,518,019
Operation and Maintenance of Plant	2,020,379	1,936,163	1,900,341	1,879,269
Pupil Transportation	1,148,365	1,145,514	1,044,289	1,028,645
Central	271,004	262,004	265,674	256,674
Extracurricular Activities	511,637	226,972	490,116	164,545
Operation of Non-Instructional Services	92,997	(35,552)	128,293	(4,127)
Operation of Food Service	811,198	(18,311)	889,570	68,485
Interest and Fiscal Charges	529,624	529,624	278,030	278,030
Total Expenses	$24,831,751	$18,457,135	$24,199,945	$18,387,642

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of expenses are supported through taxes and other general revenues.

The School District's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. For fiscal year 2017, the general fund had an increase in fund balance as a result of revenues exceeding expenditures for the current fiscal year. This is primarily due to increases in property tax revenues and tuition, resulting from changes in the assessed valuation and State funding. The bond retirement fund had a decrease in fund balance due primarily to a transfer to the permanent improvements capital projects fund from realized savings on interest from a prior year debt refunding.

General Fund Budgeting Highlights

Budgeting is prescribed by the Ohio Revised Code. Essentially, the budget is the School District's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. During the course of fiscal year 2017, the School District amended its general fund budget numerous times to allow for insignificant amendments. The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was slightly higher than the original budget estimate. The change was mainly attributed to an increase in property tax revenue as the School District received a true picture of what the anticipated amount would be, coupled with an increase in charges for services, tuition and fees and miscellaneous revenue as projections became more accurate. The final budget appropriations were lower than the original budget appropriations of the general fund due mainly to a decrease in operation and maintenance of plant and regular instruction expenditures from cost savings measures.

Capital Assets and Debt Administration

Capital Assets

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

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

	2017	2016	Change
Land	$84,878	$84,878	$0
Construction in Progress	34,103	0	34,103
Land Improvements	1,154,316	1,200,815	(46,499)
Buildings and Improvements	16,516,763	17,111,211	(594,448)
Furniture and Equipment	1,205,699	1,259,447	(53,748)
Vehicles	345,571	442,205	(96,634)
Total	$19,341,330	$20,098,556	($757,226)

The decrease in capital assets was due to current year depreciation outpacing current year additions. Construction in progress on the middle school for corrective work began in the fiscal year. Other capital asset additions included a variety of land improvements and furniture and equipment. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2017, this amounted to $374,187. See Note 11 to the basic financial statements for additional information on the School District's capital assets and Note 13 for additional information regarding required set-asides.

Long-term Obligations

Table 5 summarizes the long-term debt outstanding:

(Table 5)
Outstanding Long-Term Obligations - Governmental Activities

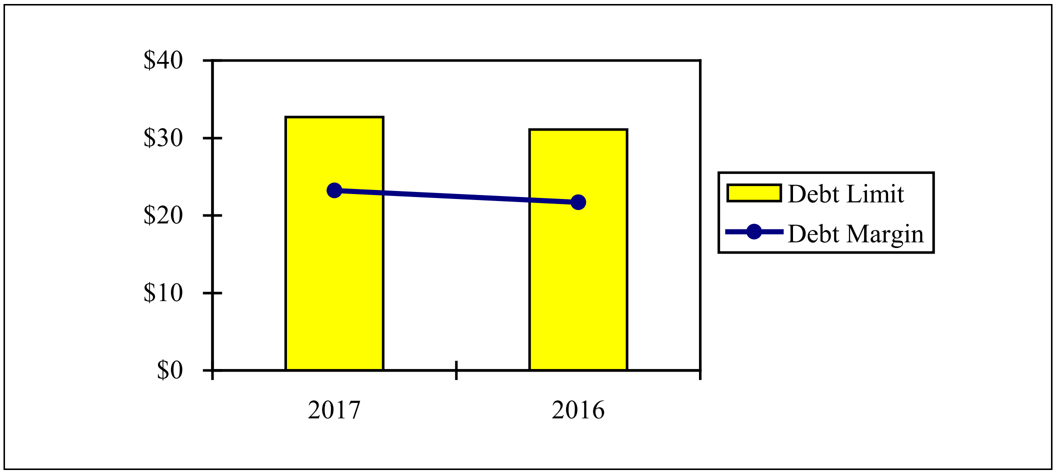
	2017	2016	Change
School Facilities Bonds	$1,533,414	$1,720,288	($186,874)
School Facilities Refunding Bonds	9,904,743	9,967,567	(62,824)
School Facilities Hardship Loan	131,319	262,637	(131,318)
Lease Purchase Agreement	880,000	935,000	(55,000)
Energy Conservation Bonds	0	46,890	(46,890)
Net Pension Liability	26,105,250	21,386,883	4,718,367
Capital Leases	0	11,122	(11,122)
Compensated Absences	1,112,934	1,151,515	(38,581)
Totals	$39,667,660	$35,481,902	$4,185,758

The School Facilities general obligation bonds were issued for the School District's portion of the Ohio School Facilities Commission project. A portion of these bonds were refunded during fiscal year 2016. The original bonds will now be fully repaid in fiscal year 2022. The refunding bonds will be fully repaid in fiscal year 2037. The School Facilities Hardship loan was issued for demolition of the old middle school and for further construction. This loan will be fully repaid in fiscal year 2018. The lease purchase agreement was issued for a new roof, resurfacing the track and paving projects.

The School District's overall legal debt margin increased in fiscal year 2017. This is the additional amount of debt the School District could issue. The debt margin increased from fiscal year 2016 due to both an increase in assessed valuation and a decrease in total outstanding debt as a result of annual debt payments. Additional information concerning debt issuances can be found in Note 14 to the basic financial statements.

Graph 1
Legal Debt Margin
(in millions)

	2017	2016
Overall Debt Limit	$32.7	$31.1
Overall Debt Margin	23.2	21.7



Challenges and Opportunities

Indian Creek Local School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. The Board of Education and Administration closely monitor its revenues and expenditures in accordance with its financial forecast. Recent national events and their impact on the Indian Creek Local School District and the surrounding area are very much under review and analysis. Economic recession has had major impact on our industries. We have limited local industry, but we are a much diversified community with many residents working outside our School District in varying types of employment.

The School District is not without its share of challenges. The need for additional funds for operations is seen as the newest challenge for the School District the last couple fiscal years. Some of the challenges include the unpredictable future of State funding and the struggle to keep a competitive salary scale to retain quality personnel. Another example is seen in low interest rates being very good for issuing debt, but not attractive for maintaining investment revenues. And finally, actions of local and State governments continue to impact the School District. Like many school districts in the State of Ohio, the Indian Creek Local School District remains vigilant to financially meet the academic needs of all of the students as well as remain cost efficient in its operations.

As a result of the challenges mentioned, it is imperative the School District's management continue to carefully and prudently plan in order to meet the vision of the School District over the next several years. This vision is to provide all students with the opportunity to acquire the knowledge and skills to reach their potential within a secure and positive learning environment. In addition, the School District strives to assist students to become responsible citizens in an ever-changing society through effective programs and community involvement.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact, Denise Todoroff, Treasurer at Indian Creek Local School District, 587 Bantam Ridge Road, Wintersville, Ohio 43953.

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Indian Creek Local School District

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$4,485,699
Accounts Receivable	15,368
Intergovernmental Receivable	555,267
Inventory Held for Resale	22,380
Materials and Supplies Inventory	70,031
Prepaid Items	5,701
Property Taxes Receivable	9,365,250
Nondepreciable Capital Assets	118,981
Depreciable Capital Assets, Net	19,222,349
Total Assets	33,861,026
Deferred Outflows of Resources	
Deferred Charge on Refunding	1,153,335
Pension	4,867,361
Total Deferred Outflows of Resources	6,020,696
Liabilities	
Accounts Payable	111,943
Accrued Wages and Benefits	1,670,924
Contracts Payable	39,398
Intergovernmental Payable	253,734
Matured Compensated Absences Payable	19,004
Accrued Interest Payable	35,710
Notes Payable	212,439
Long-Term Liabilities:	
Due Within One Year	525,385
Due in More Than One Year	
Net Pension Liability (See Note 17)	26,105,250
Other Amounts	13,037,025
Total Liabilities	42,010,812
Deferred Inflows of Resources	
Property Taxes	7,167,470
Pension	337,152
Total Deferred Inflows of Resources	7,504,622
Net Position	
Net Investment in Capital Assets	8,125,599
Restricted for:	
Capital Projects	1,251,584
Debt Service	414,243
Other Purposes	1,535,481
Unrestricted (Deficit)	(20,960,619)
Total Net Position	($9,633,712)

See accompanying notes to the basic financial statements

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

		Program Revenues			Net Revenue/(Expense) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	$11,025,586	$1,764,771	$286,668	$527	($8,973,620)
Special	3,806,092	491,166	1,952,078	0	(1,362,848)
Vocational	379,271	64,250	86,647	0	(228,374)
Adult/Continuing	2,500	348	335	0	(1,817)
Student Intervention Services	61,837	7,647	3,051	0	(51,139)
Support Services:					
Pupils	900,611	0	23,729	0	(876,882)
Instructional Staff	531,023	0	216,803	0	(314,220)
Board of Education	14,160	0	0	0	(14,160)
Administration	2,157,035	8,331	128,641	0	(2,020,063)
Fiscal	537,799	0	834	0	(536,965)
Business	30,633	0	0	0	(30,633)
Operation and Maintenance of Plant	2,020,379	0	20,542	63,674	(1,936,163)
Pupil Transportation	1,148,365	0	2,851	0	(1,145,514)
Central	271,004	0	9,000	0	(262,004)
Extracurricular Activities	511,637	248,136	36,529	0	(226,972)
Operation of Non-Instructional Services	92,997	0	128,549	0	35,552
Operation of Food Service	811,198	160,167	669,342	0	18,311
Interest and Fiscal Charges	529,624	0	0	0	(529,624)
Totals	$24,831,751	$2,744,816	$3,565,599	$64,201	(18,457,135)

General Revenues	
Property Taxes Levied for:	
General Purposes	7,662,354
Debt Service	756,926
Capital Outlay	348,422
Classroom Facilities Maintenance	158,420
Grants and Entitlements not Restricted to Specific Programs	9,475,204
Investment Earnings	1,128
Unrestricted Contributions	24,785
Miscellaneous	101,384
Total General Revenues	18,528,623
Change in Net Position	71,488
Net Position Beginning of Year	(9,705,200)
Net Position End of Year	($9,633,712)

See accompanying notes to the basic financial statements

Indian Creek Local School District

Balance Sheet

Governmental Funds

June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$1,467,287	$329,281	$2,689,131	$4,485,699
Accounts Receivable	15,368	0	0	15,368
Intergovernmental Receivable	90,739	0	464,528	555,267
Prepaid Items	5,553		148	5,701
Interfund Receivable	119,268	0	0	119,268
Inventory Held for Resale	0	0	22,380	22,380
Materials and Supplies Inventory	65,192	0	4,839	70,031
Property Taxes Receivable	8,111,879	750,623	502,748	9,365,250
Total Assets	$9,875,286	$1,079,904	$3,683,774	$14,638,964
Liabilities				
Accounts Payable	$42,306	$0	$69,637	$111,943
Accrued Wages and Benefits	1,451,246	0	219,678	1,670,924
Contracts Payable	5,295	0	34,103	39,398
Intergovernmental Payable	230,980	0	22,754	253,734
Interfund Payable	0	0	119,268	119,268
Accrued Interest Payable	0	0	882	882
Matured Compensated Absences Payable	19,004	0	0	19,004
Notes Payable	0	0	212,439	212,439
Total Liabilities	1,748,831	0	678,761	2,427,592
Deferred Inflows of Resources				
Property Taxes	6,219,464	569,446	378,560	7,167,470
Unavailable Revenue	423,845	25,150	226,276	675,271
Total Deferred Inflows of Resources	6,643,309	594,596	604,836	7,842,741
Fund Balances				
Nonspendable	70,745	0	4,987	75,732
Restricted	0	485,308	2,498,978	2,984,286
Committed	5,892	0	0	5,892
Assigned	179,741	0	0	179,741
Unassigned (Deficit)	1,226,768	0	(103,788)	1,122,980
Total Fund Balances	1,483,146	485,308	2,400,177	4,368,631
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$9,875,286	$1,079,904	$3,683,774	$14,638,964

See accompanying notes to the basic financial statements

Indian Creek Local School District

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Funds Balances		$4,368,631
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,341,330
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Delinquent Property Taxes	466,346	
Grants	208,925	
Total		675,271
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(34,828)
The net pension liability is not due and payable in the current period; therefore, the liability and related inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	4,867,361	
Deferred Inflows - Pension	(337,152)	
Net Pension Liability	(26,105,250)	
Total		(21,575,041)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(11,438,157)	
School Facilities Hardship Loan	(131,319)	
Deferred Charge on Refunding	1,153,335	
Lease Purchase Agreement	(880,000)	
Compensated Absences	(1,112,934)	
Total		(12,409,075)
Net Position of Governmental Activities		($9,633,712)

See accompanying notes to the basic financial statements

Indian Creek Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$7,731,277	$761,013	$509,668	$9,001,958
Intergovernmental	10,487,284	106,414	2,443,294	13,036,992
Interest	1,128	0	590	1,718
Charges for Services	14,723	0	160,167	174,890
Tuition and Fees	2,312,343	0	0	2,312,343
Extracurricular Activities	44,720	0	191,288	236,008
Rentals	24,544	0	0	24,544
Contributions and Donations	24,785	0	42,225	67,010
Miscellaneous	80,977	0	20,407	101,384
Total Revenues	20,721,781	867,427	3,367,639	24,956,847
Expenditures				
Current:				
Instruction:				
Regular	9,815,382	0	280,895	10,096,277
Special	2,769,649	0	919,592	3,689,241
Vocational	361,739	0	0	361,739
Adult/Continuing	2,000	0	500	2,500
Student Intervention Services	43,011	0	3,862	46,873
Support Services:				
Pupils	849,093	0	23,798	872,891
Instructional Staff	304,027	0	207,127	511,154
Board of Education	14,160	0	0	14,160
Administration	1,936,478	0	134,962	2,071,440
Fiscal	478,176	19,240	12,858	510,274
Business	30,633	0	0	30,633
Operation and Maintenance of Plant	1,776,227	0	101,435	1,877,662
Pupil Transportation	981,566	0	2,904	984,470
Central	258,491	0	9,000	267,491
Extracurricular Activities	259,923	0	212,172	472,095
Operation of Non-Instructional Services	0	0	96,813	96,813
Operation of Food Service	0	0	768,682	768,682
Capital Outlay	22,608	0	89,832	112,440
Debt Service:				
Principal Retirement	11,122	72,859	186,318	270,299
Interest and Fiscal Charges	270	406,110	44,467	450,847
Capital Appreciation Bond Accretion	0	259,031	0	259,031
Total Expenditures	19,914,555	757,240	3,095,217	23,767,012
Excess of Revenues Over (Under) Expenditures	807,226	110,187	272,422	1,189,835
Other Financing Sources (Uses)				
Transfers In	0	0	949,849	949,849
Transfers Out	(1,438)	(420,000)	(528,411)	(949,849)
Total Other Financing Sources (Uses)	(1,438)	(420,000)	421,438	0
Net Change in Fund Balances	805,788	(309,813)	693,860	1,189,835
Fund Balances Beginning of Year	677,358	795,121	1,706,317	3,178,796
Fund Balances End of Year	$1,483,146	$485,308	$2,400,177	$4,368,631

See accompanying notes to the basic financial statements

Indian Creek Local School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds		$1,189,835
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	169,526	
Current Year Depreciation	(926,752)	
Total		(757,226)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property Taxes	(75,836)	
Intergovernmental	25,197	
Charges for Services	(2,969)	
Total		(53,608)
Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Principal Retirement	270,299	
Capital Appreciation Bond Accretion	259,031	
Total		529,330
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued Interest	18,865	
Amortization of Deferred Charge on Refunding	(62,340)	
Amortization of Bond Premiums	84,978	
Amortization of Bond Discount	(7,215)	
Annual Accretion	(113,065)	
Total		(78,777)
Contractual required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,268,165
Except for amounts reported as deferred inflows/outflows, changes in net pension liability are reported as pension expense in the statement of activities.		(2,064,812)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		38,581
Change in Net Position of Governmental Activities		$71,488

See accompanying notes to the basic financial statements

Indian Creek Local School District

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Property Taxes	$7,050,298	$7,431,950	$7,431,950	$0
Intergovernmental	10,488,435	10,478,007	10,478,007	0
Interest	2,100	1,077	1,128	51
Charges for Services	7,518	14,820	14,911	91
Tuition and Fees	2,104,949	2,283,146	2,283,216	70
Rentals	25,000	24,544	24,544	0
Contributions and Donations	5,000	50	50	0
Miscellaneous	34,449	35,333	35,351	18
Total Revenues	19,717,749	20,268,927	20,269,157	230
Expenditures				
Current:				
Instruction:				
Regular	10,201,855	9,784,688	9,784,688	0
Special	2,567,401	2,759,627	2,759,627	0
Vocational	398,201	365,615	365,615	0
Student Intervention Services	104,556	55,231	55,231	0
Support Services:				
Pupils	702,831	820,970	820,970	0
Instructional Staff	356,477	319,539	319,539	0
Board of Education	9,443	14,171	14,171	0
Administration	1,935,815	1,893,480	1,893,480	0
Fiscal	528,476	479,986	479,986	0
Business	30,633	30,633	30,633	0
Operation and Maintenance of Plant	1,884,058	1,788,273	1,788,273	0
Pupil Transportation	991,646	987,111	987,111	0
Central	274,980	258,668	258,668	0
Extracurricular Activities	248,752	255,870	255,870	0
Operation of Non-Instructional Services	120	0	0	0
Capital Outlay	40,000	18,500	18,500	0
Total Expenditures	20,275,244	19,832,362	19,832,362	0
Excess of Revenues Over (Under) Expenditures	(557,495)	436,565	436,795	230
Other Financing Sources (Uses)				
Advances In	104,712	104,712	104,712	0
Advances Out	0	(119,268)	(119,268)	0
Transfers Out	0	(1,438)	(1,438)	0
Total Other Financing Sources (Uses)	104,712	(15,994)	(15,994)	0
Net Change in Fund Balance	(452,783)	420,571	420,801	230
Fund Balance Beginning of Year	793,215	793,215	793,215	0
Prior Year Encumbrances Appropriated	60,523	60,523	60,523	0
Fund Balance End of Year	$400,955	$1,274,309	$1,274,539	$230

See accompanying notes to the basic financial statements

Indian Creek Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$43,083	$57,097
Liabilities		
Due to Students	0	$57,097
Net Position		
Held in Trust for Scholarships	$43,083	

See accompanying notes to the basic financial statements

Indian Creek Local School District

Statement of Changes in Fiduciary Net Position

Private Purpose Trust Fund

For the Fiscal Year Ended June 30, 2017

	Scholarship
Additions	
Contributions and Donations	$1,985
Deductions	
College Scholarships Awarded	3,250
Change in Net Position	(1,265)
Net Position Beginning of Year	44,348
Net Position End of Year	$43,083

See accompanying notes to the basic financial statements

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Note 1 – Description of the School District and Reporting Entity

Indian Creek 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 was established in 1966 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 75 square miles. It is located in Jefferson County, and includes all of the Village of Wintersville, the Village of Mingo Junction, the Village of Bloomingdale, and Cross Creek Township and portions of the City of Steubenville, Island Creek, Salem, Wayne and Steubenville Townships. It is staffed by 97 non-certified personnel, 129 certified teaching personnel and 12 administrative employees to provide services to 2,237 students and other community members. The School District operates four instructional buildings, one administrative building and two bus garages.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, agencies and offices that are not legally separate from the School District. For the Indian Creek Local School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or 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 benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District is associated with two jointly governed organizations, one insurance purchasing pool and one risk sharing pool. These organizations are the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 19 and 20 of the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the 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 below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District however, 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, with certain limited exceptions. 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 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.

Fund Accounting

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

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

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

Bond Retirement Fund To account for and report tax levies that are restricted for the repayment of general obligation bonds of the School District.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned 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 only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities managed by the student body.

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., 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 accounted for on a flow of economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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, grants, entitlements and donations. On an 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, interest, tuition, grants, fees and rentals.

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 pension. The deferred outflows of resources related to pension are explained in Note 17.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. 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 Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 17)

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

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

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.

Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education. Prior to year end, the School District requested and received an amended certificate of estimated resources that closely reflects actual revenue for the fiscal year.

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

Cash and Cash Equivalents

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

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 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 $1,128, of which $578 was assigned from other School District funds.

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

Inventory

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

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 by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the capital asset to be capitalized and using an appropriate price-level index to deflate the cost of the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except 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	Governmental Activities Estimated Lives
Land Improvements	5 to 20 years
Buildings and Improvements	20 to 50 years
Furniture and Equipment	5 to 20 years
Vehicles	6 to 10 years

Bond Premiums and Discounts

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On the fund financial statements, bond premiums are receipted in the 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.

Interfund Balances

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

Compensated Absences

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

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

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

For governmental funds, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

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, and are reported as obligations of the funds. However, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, instruction, support services and extracurricular activities.

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the 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 legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for schools support and school supplies.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

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 – Accountability

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

Special Revenue Funds:	
Public School Preschool	$34,328
Title VI-B	5,697
Title I	19,769
Preschool	5,002
Reducing Class Size	34,967
Capital Projects Fund:	
Permanent Improvement Fund	4,025

The special revenue funds and the capital projects fund have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable				
Prepaids	$5,553	$0	$148	5,701
Materials and Supplies Inventory	65,192	0	4,839	70,031
Total Nonspendable	70,745	0	4,987	75,732
Restricted for				
Food Service Operations	0	0	134,329	134,329
Athletics	0	0	171,373	171,373
Community Involvement	0	0	8,051	8,051
Classroom Facilities Maintenance	0	0	1,114,831	1,114,831
Auxiliary Services	0	0	37,520	37,520
Instructional Services	0	0	2,470	2,470
Debt Service Payments	0	485,308	0	485,308
Capital Improvements	0	0	1,030,404	1,030,404
Total Restricted	0	485,308	2,498,978	2,984,286
Committed to				
Architect Design	5,892	0	0	5,892
Assigned to				
Public School Support/Uniform School	107,462	0	0	107,462
Purchases on Order:				
Instruction	47,914	0	0	47,914
Support Services	24,365	0	0	24,365
Total Assigned	179,741	0	0	179,741
Unassigned (Deficit)	1,226,768	0	(103,788)	1,122,980
Total Fund Balances	$1,483,146	$485,308	$2,400,177	$4,368,631

Note 5 – Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Budgetary revenues and expenditures of the uniform school supplies and the public school support funds are classified to the general fund for GAAP reporting purposes.

3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

4. Advances-In/Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

5. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	$805,788
Net Adjustment for Revenue Accruals	(362,070)
Advance In	104,712
Perspective Difference:	
Uniform School Supplies	235
Public School Support	32,465
Net Adjustment for Expenditure Accruals	44,225
Advances Out	(119,268)
Adjustment for Encumbrances	(85,286)
Budget Basis	$420,801

Note 6 – 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 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;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities;

3. Written repurchase agreements in securities listed above;

4. Bonds and other obligations of the State of Ohio;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);

7. The State Treasurer's investment pool (STAR Ohio); and

8. Commercial paper and bankers acceptances if training requirements have been met.

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 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 possession of an outside party. At fiscal year-end, $4,378,593 of the School District’s bank balance of $4,912,310 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance 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 one hundred two percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at one hundred five percent.

Investments

As of June 30, 2017, the School District had STAR Ohio as the only investment with an amount of $5, which is measured at net asset value per share. The average maturity is 45.5 days.

Credit Risk 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 addresses credit risk.

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date 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.

Note 7 – Receivables

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

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Title VI-B Grant	$192,245
Title I Grant	186,647
Public School Preschool Grant	71,633
Foundation Adjustment	35,679
Bureau of Workers Compensation	30,070
Medicaid Reimbursement	13,179
Tuition	12,529
Federal Breakfast Reimbursement	12,146
Reducing Class Size Grant	1,061
Vocational Education Grant	78
Total	$555,267

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 property and public utility property located in the School District. Real property tax revenues received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property are established by State law 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 revenues received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 become a lien December 31, 2015, were levied after April 1, 2016, and are collected in calendar year 2017 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 Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2017, was $1,468,570 in the general fund, $33,818 in the classroom facilities special revenue fund, $156,027 in the bond retirement debt service fund and $73,019 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2016, was $1,169,243 in the general fund, $26,926 in the classroom facilities special revenue fund, $124,226 in the bond retirement debt service fund and $58,134 in the permanent improvement capital projects fund.

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/Residental and Other Real Estate	$329,760,440	95.33 %	$330,089,530	90.80 %
Public Utility Personal	16,148,470	4.67	33,448,545	9.20
Total	$345,908,910	100.00 %	$363,538,075	100.00 %
Tax rate per $1,000 of assessed valuation	$42.65		$42.65	

Note 9 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to thirty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Any employee receiving retirement severance pay is entitled to a dollar amount equivalent to thirty-five percent of all accumulated sick leave credited to that employee up to 40 days for certified and 40 days for classified employees. Classified employees can receive payment for up to an additional 22 days for every day over an accumulated 200 days.

Insurance

The School District provides health insurance benefits with Aetna, dental insurance benefits with Delta Dental and vision insurance benefits with Superior Vision. Total costs for family coverage is $1,781.25, $73.80 and $12.88 for medical, dental and vision, respectively. Total costs for single coverage is $883.10, $24.98 and $5.10 for medical, dental and vision, respectively. The School District pays 100 percent of dental and vision coverage. Administrators and teachers pay 10 percent of the premium for both single and family medical coverage. Classified employees pay 7 percent of the premium for both single and family medical coverage.

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage for administrators is $100,000, certified teachers is $50,000 and classified employees $25,000 to $50,000 depending on hours contracted per week. Life insurance is covered through Guardian Life Insurance.

Note 10 – Interfund Balances and Transfers

Interfund Balances

Interfund Payable	Interfund Receivable General
Other Governmental Funds:	
Public School Preschool	$13,676
Title VI-B	66,971
Title I	37,626
Reducing Class Size	995
Total	$119,268

Interfund receivables and payables at June 30, 2017, are due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid. These loans are expected to be repaid in one year.

Interfund Transfers

The general fund transferred $1,438 to the food service special revenue fund to provide additional resources for current operations. In May 2016 the School District refinanced bonds, doing so resulted in a savings in the bond retirement debt service fund. The School District petitioned the Jefferson County Budget Commission to make a transfer of $420,000 from the bond retirement debt service fund to permanent improvement capital projects fund. The permanent improvement capital projects fund then transferred $528,411 to the classroom facilities capital projects fund specific to corrective work that will need to be done on the OSFC school building per OSFC guidance.

Note 11 – Capital Assets

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

Governmental Activities	Balance 06/30/16	Additions	Deductions	Balance 06/30/17
Capital Assets not being Depreciated:				
Land	$84,878	$0	$0	$84,878
Construction in Progress	0	34,103	0	34,103
Total Capital Assets not being Depreciated	84,878	34,103	0	118,981
Capital Assets being Depreciated:				
Land Improvements	2,861,602	82,357	0	2,943,959
Buildings and Improvements	23,597,773	0	0	23,597,773
Furniture and Equipment	2,120,104	53,066	0	2,173,170
Vehicles	1,850,448	0	(180,643)	1,669,805
Total Capital Assets being Depreciated	30,429,927	135,423	(180,643)	30,384,707
Less Accumulated Depreciation:				
Land Improvements	(1,660,787)	(128,856)	0	(1,789,643)
Buildings and Improvements	(6,486,562)	(594,448)	0	(7,081,010)
Furniture and Equipment	(860,657)	(106,814)	0	(967,471)
Vehicles	(1,408,243)	(96,634)	180,643	(1,324,234)
Total Accumulated Depreciation	(10,416,249)	(926,752) *	180,643	(11,162,358)
Total Assets being Depreciated, Net	20,013,678	(791,329)	0	19,222,349
Governmental Activities Capital Assets, Net	$20,098,556	($757,226)	$0	$19,341,330

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$686,510
Special	1,377
Vocational	1,638
Support Services:	
Pupils	685
Instructional Staff	4,856
Administration	35,738
Operation and Maintenance of Plant	54,782
Pupil Transportation	99,939
Central	3,439
Operation of Food Service	9,528
Extracurricular Activities	28,260
Total Depreciation Expense	$926,752

Note 12 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for various types of insurance. Coverage is as follows:

Coverage	Amount
Property	$60,311,001
Earth movement limit ($50,000 Deductible)	2,000,000
Flood limit ($50,000 Deductible)	2,000,000
Equipment Breakdown	300,000,000
Crime Coverage ($0 Deductible)	100,000
Excess Crime Coverage (Thru Traverlers Insurance Co.)	1,000,000
General Liability	15,000,000
Employee benefits liability	15,000,000
Employee stop gap liability	15,000,000
General annual aggregate	17,000,000
Fire legal liability	500,000
Medical payments - occurrence	10,000
Aggregate limit	25,000
Educator's Legal Liability	15,000,000
Automobile Liability	
Bodily injury & property damage - per occurrence	15,000,000
Medical payments - occurrence	10,000
Aggregate limit	25,000
Uninsured/underinsured motorist - per occurrence	1,000,000
Automobile physical damage ($0 Deductible)	Actual Cash Value
Garage keepers physical damage ($250,000 max)	Actual Cash Value

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

Worker's Compensation

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (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. 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 13 – Set-Asides

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

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

	Capital Improvement
Set-aside Balance as of June 30, 2016	$0
Current Year Set-aside Requirement	374,187
Offsets During the Fiscal Year:	
Permanent Improvement Levy Proceeds	(399,147)
Ohio School Facilities Commission principal and interest	(689,945)
Qualifying Disbursements	(77,021)
Totals	($791,926)
Set-aside Balance Carried Forward to Future Fiscal Years	$0
Set-aside Balance as of June 30, 2017	$0

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

Note 14 – Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Fiscal Year of Maturity
2009 School Facilities Construction Bonds:			
Capital Interest Serial Bonds	2.50% to 3.50%	$2,285,000	2020
Capital Appreciation Bonds	33.63%	44,999	2018
Current Issue Term Bonds	4.37% to 5.12%	9,270,000	2022
2016 School Facilities Construction Refunding Bonds:			
Serial Bonds	2.00% to 4.00%	8,605,000	2037
Capital Appreciation Bonds	18.98%	35,000	2025
2013 School Facilities Hardship Loan	0.00%	656,591	2018
2015 Lease Purchase Agreement	3.50%	935,000	2029

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

	Principal Outstanding 6/30/16	Additions	Deductions	Principal Outstanding 6/30/17	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
2009 School Facilities Bonds					
Serial Bonds	$600,000	$0	$0	$600,000	$0
Capital Appreciation Bonds	44,999	0	25,969	19,030	19,030
Accretion	377,947	106,037	259,031	224,953	224,953
Term Bonds	665,000	0	0	665,000	0
Premium on Bonds	75,631	0	15,126	60,505	0
Discount on Bonds	(43,289)	0	(7,215)	(36,074)	0
Total 2009 School Facilities Bonds	1,720,288	106,037	292,911	1,533,414	243,983
2016 School Facilities Refunding Bonds					
Serial Bonds	8,570,000	0	0	8,570,000	0
Capital Appreciation Bonds	35,000	0	0	35,000	0
Accretion	363	7,028	0	7,391	0
Premium on Bonds	1,362,204	0	69,852	1,292,352	0
Total 2016 School Refunding Bonds	9,967,567	7,028	69,852	9,904,743	0
Total General Obligation Bonds	11,687,855	113,065	362,763	11,438,157	243,983
School Facilities Hardship Loan	262,637	0	131,318	131,319	131,319
Lease Purchase Agreement	935,000	0	55,000	880,000	55,000
Energy Conservation Bonds	46,890	0	46,890	0	0
Other Long Term Obligations					
Net Pension Liability:					
STRS	17,151,876	3,532,023	0	20,683,899	0
SERS	4,235,007	1,186,344	0	5,421,351	0
Total Net Pension Liability	21,386,883	4,718,367	0	26,105,250	0
Capital Leases	11,122	0	11,122	0	0
Compensated Absences	1,151,515	41,005	79,586	1,112,934	95,083
Total General Long-Term Obligations	$35,481,902	$4,872,437	$686,679	$39,667,660	$525,385

Capital lease obligations were paid from the general fund. Compensated absences will be paid from the general fund and the food service, auxiliary services, public school preschool, title VI-B, title I, preschool and reducing class size special revenue funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: the general fund and the food service, auxiliary services, public school preschool, title VI-B, title I, preschool and reducing class size special revenue funds.

On March 17, 2009, the School District issued $11,599,999 in school facilities construction bonds, which included serial, term and capital appreciation (deep discount) bonds in the amounts of $2,285,000, $9,270,000 and $44,999, respectively. The bonds were issued at both a premium of $408,414 and a discount of $194,800. The school facilities construction bonds were issued for the purpose of building new schools within the Indian Creek Local School District. The bonds were issued for a twenty-eight year period with final maturity at December 1, 2036. The bonds will be retired from the bond retirement debt service fund. During fiscal year 2016, a portion of the bonds were retired by the School District through an advance refunding. After the advance refunding, the original school facilities construction bonds have a final maturity of December 1, 2021.

The serial, capital appreciation and current issue term bonds remained outstanding at June 30, 2017. The capital appreciation bonds were originally sold at a discount of $525,001, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2018.

The maturity amount of outstanding capital appreciation bonds at June 30, 2017, is $285,000. The accretion recorded for fiscal year 2017 was $106,037, for a total outstanding bond liability of $243,983 at June 30, 2017.

A portion of the term bonds were refunded during fiscal year 2016. The remaining term bonds maturing on December 1, 2021 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue $665,000
2020	$325,000
Amount due at stated maturity	340,000
Total	$665,000
Stated Maturity	12/1/2021

On April 16, 2016, the School District issued $8,605,000 in school facilities construction bonds to refund a portion of the 2009 school facilities construction bonds. The school facilities construction bonds included serial and capital appreciation (deep Discount) bonds in the amounts of $8,570,000 and $35,000, respectively. The bonds were issued for a twenty-one year period with a final maturity at December 1, 2036.

The capital appreciation bonds were originally sold at a discount of $130,000. The accretion recorded for fiscal year 2017 was $7,028, for a total outstanding bond liability of $42,391 at June 30, 2017.

The refunding bonds were sold at a premium of $1,373,846. Net proceeds of $9,831,065 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, $8,605,000 of these bonds is considered defeased and the liability of these bonds has been removed from the School District's financial statements.

On June 1, 2015, the School District took out a lease purchase agreement in the amount of $935,000 for the purpose of paving projects, track repairs and a new high school roof. The lease purchase agreement was issued at a 3.5 percent interest rate for fifteen years. The lease purchase agreement will be retired from the permanent improvement capital project fund.

On October 18, 2012, the School District received a school facilities hardship loan in the amount of $656,591 for the purpose of demolition of the old school building and further improvements. The loan is interest free over six years. The bonds will be retired from the bond retirement debt service fund.

The School District's overall legal debt margin was $23,183,386 with an unvoted debt margin of $363,538 at June 30, 2017. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017, are as follows:

	General Obligation Bonds					
	Serial		Capital Appreication		Term	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2018	$0	$358,044	$19,030	$265,970	$0	$29,094
2019	285,000	353,234	0	0	0	29,094
2020	315,000	342,912	0	0	0	29,094
2021	30,000	337,100	0	0	325,000	21,984
2022	35,000	336,450	0	0	340,000	7,438
2023-2027	2,045,000	1,502,250	35,000	130,000	0	0
2028-2032	2,835,000	1,020,300	0	0	0	0
2033-2037	3,625,000	376,100	0	0	0	0
Total	$9,170,000	$4,626,390	$54,030	$395,970	$665,000	$116,704

	School Facilities Hardship Loan	Lease Purchase Agreement	
Fiscal Year	Principal	Principal	Interest
2018	$131,319	$55,000	$29,838
2019	0	55,000	27,912
2020	0	60,000	25,900
2021	0	60,000	23,800
2022	0	65,000	21,613
2023-2027	0	345,000	73,062
2028-2029	0	240,000	12,950
Total	$131,319	$880,000	$215,075

Note 15 – Notes Payable

The School District's note activity, including amounts outstanding and interest rates is as follows:

	Principal Outstanding 6/30/2016	Additions	Deductions	Principal Outstanding 6/30/2017
Permanent Improvement Fund				
2009 4.98 %				
Tax Anticipation Notes	$314,803	$0	$102,364	$212,439

On March 20, 2009, the School District issued $965,000 in permanent improvement levy tax anticipation notes for the purpose of building the Multi-Purpose Facility and for the Wintersville Elementary Masonry repair project. The coupon interest rate is 4.98 percent and the notes mature on December 1, 2018. The tax anticipation notes will be paid from the permanent improvement capital projects fund with property tax revenues. Principal and interest payments to retire the tax anticipation notes are as follows:

	Principal	Interest	Total
2018	$104,913	$7,967	$112,880
2019	107,526	2,676	110,202
Total	$212,439	$10,643	$223,082

Note 16 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, 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.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017, Foundation funding for the School District; therefore, any financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

Litigation

The School District is a party to various legal proceedings seeking damages. The School District's administration is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Lease

The Board of Education entered into a "Paid-Up" Oil and Gas lease effective November 22, 2013 and continuing through November 22, 2018 with Great River Energy, LLC. In consideration of the execution of the lease, the School District received a bonus of $ 1,405,863 on February 17, 2015. The School District has a total of 203.7482 acres subject to the lease provisions which call for royalty payments of 20 percent on production from the leasehold and $50.00 per each acre of land, per year after production has been shut in. As of this date, the value of any potential royalties cannot be determined and the School District has not received any financial compensation beyond the bonus.

The Board of Education entered into a “Paid-Up” Oil and Gas lease effective May 3, 2018 and continuing through May 2, 2022 with Ascent Resources - Utica, LLC. In consideration of the execution of the lease, the School District received a bonus of $1,539 on July 18, 2017. The School District has a total of .27 acres subject to the lease provisions which call for payments to the lessor, in addition to the bonus, royalties, less all taxes, assessments, and adjustments on production from the leasehold in the amount of 17 percent for oil or gas. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the School District has not received any financial compensation beyond the bonus.

Note 17 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was $327,778 for fiscal year 2017. Of this amount $39,374 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 system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, 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 $940,387 for fiscal year 2017. Of this amount $179,689 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.074219%	0.06206111%	
Proportion of the Net Pension Liability Current Measurement Date	0.074072%	0.06179276%	
Change in Proportionate Share	-0.000148%	-0.00026835%	
Proportionate Share of the Net Pension Liability	$5,421,351	$20,683,899	$26,105,250
Pension Expense	$638,764	$1,426,048	$2,064,812

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$73,122	$835,729	$908,851
Changes of assumptions	361,905	0	361,905
Net difference between projected and actual earnings on pension plan investments	447,183	1,717,319	2,164,502
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	163,938	0	163,938
School District contributions subsequent to the measurement date	327,778	940,387	1,268,165
Total Deferred Outflows of Resources	$1,373,926	$3,493,435	$4,867,361
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	$5,524	$331,628	$337,152

$1,268,165 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:	SERS	STRS	Total
2018	$295,696	$299,243	$594,939
2019	295,374	299,243	594,617
2020	321,007	958,227	1,279,234
2021	128,547	664,707	793,254
Total	$1,040,624	$2,221,420	$3,262,044

Actuarial Assumptions - SERS

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

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

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

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

	June 30, 2016	June 30, 2015
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 by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted 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.

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. 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	$7,177,530	$5,421,351	$3,951,355

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
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, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 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 of future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$27,487,222	$20,683,899	$14,944,896

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.

Note 18 – Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. 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 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 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 $41,386.

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 $41,386, $38,488 and $56,458, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

State Teachers Retirement System (STRS)

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 partial 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 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 19 – Jointly Governed Organizations

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) The Ohio Mid-Eastern Regional Educational Service Agency was created as a regional council of governments pursuant to State Statues. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, plus a joint vocational service representative, the fiscal agent superintendent and a treasurer, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. OME-RESA provides financial accounting services, educational management information, internet access and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2017, the School District no longer paid OME-RESA directly for the gas purchases, but instead paid the gas vendor. The School District paid OME-RESA $70,574 for financial accounting services, educational management information, internet access, student services systems, and automated notification systems for fiscal year 2017. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2230 Sunset Blvd., Suite 2, Steubenville, Ohio 43952.

Jefferson County Joint Vocational School The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2017, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

Note 20 – Public Entity Pools

Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program The School District participates in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (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 Post 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.

Shared Risk Pool

Schools of Ohio Risk Sharing Authority The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing pool with over 113 members. SORSA is a 100 percent member-owned, non-profit insurance risk pool owned and governed by the school district members. SORSA is governed by a Board of Directors composed of representatives of school districts that participate in the program.

SORSA has agreements with several separate organizations whereby each provides certain administrative, executive, accounting, marketing, underwriting, claim settlement, legal counsel and other services to SORSA and its members. Pursuant to participation agreements with SORSA, each member school district agrees to pay all funding rates associated with the coverage elected. This coverage includes comprehensive general liability, property insurance and automobile liability insurance. To obtain financial information write to the Schools of Ohio Risk Sharing Authority, Executive Director, at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

Note 21 – Significant Commitments

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	$85,286
Other Governmental Funds	223,589
Total Governmental	$308,875

Contractual Commitments

At June 30, 2017, the School District's significant contractual commitments consisted of a $135,620 contract with Lesko Associates, Inc. of which $135,620 is remaining. Remaining commitment amounts were encumbered at year end.

Note 22 – Change in Accounting Principle

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, the School District had no abatement that met the GASB 77 definition.

The School District also 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.

Note 23 – Subsequent Event

The School District is placing a 6.1 mill bond issue on the May 8, 2018 ballot for the purpose of constructing, improving and renovating school facilities under the Exceptional Needs Program of the Ohio Facilities Construction Commission. The project will include the renovation of Hills Elementary, building a new elementary to replace Wintersville Elementary and building a new high school to replace the current Indian Creek High School and other site issues as the project determines. The total project cost will be $63,700,000. The State will provide $18,000,000 of the cost and the School District is seeking $45,700,000 from the taxpayers. The principal amount of the bonds will be $45,700,000 and will be repaid annually over a maximum period of 37 years. Based upon 2017 tax valuations of $370,542,970, the 6.1 mills will generate approximately $2,260,000 per year to meet expected debt service payments.

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Required Supplementary Information

Indian Creek 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)**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.074072%	0.074219%	0.068764%	0.068764%
School District's Proportionate Share of the Net Pension Liability	$5,421,351	$4,235,007	$3,480,106	$4,089,174
School District's Covered Payroll	$2,316,207	$2,234,379	$1,921,672	$2,104,878
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	234.06%	189.54%	181.10%	194.27%
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 show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

Indian Creek 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	0.06179276%	0.06206111%	0.06356089%	0.06356089%
School District's Proportionate Share of the Net Pension Liability	$20,683,899	$17,151,876	$15,460,208	$18,416,099
School District's Covered Payroll	$6,573,421	$6,571,773	$6,494,169	$7,020,631
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	314.66%	260.99%	238.06%	262.31%
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 show information for ten years, information prior to 2014 is not available.
An additional column will be added each year.

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

Indian Creek Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014
Contractually Required Contribution	$327,778	$324,269	$294,491	$266,344
Contributions in Relation to the Contractually Required Contribution	(327,778)	(324,269)	(294,491)	(266,344)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll	$2,341,271	$2,316,207	$2,234,379	$1,921,672
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
$291,315	$302,312	$281,409	$313,438	$228,976	$216,844
(291,315)	(302,312)	(281,409)	(313,438)	(228,976)	(216,844)
$0	$0	$0	$0	$0	$0
$2,104,878	$2,247,669	$2,238,738	$2,314,906	$2,326,997	$2,208,188
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Indian Creek Local School District, Ohio

Required Supplementary Information

Schedule of the School District's Contributions

State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	2017	2016	2015	2014
Contractually Required Contribution	$940,387	$920,279	$920,048	$844,242
Contributions in Relation to the Contractually Required Contribution	(940,387)	(920,279)	(920,048)	(844,242)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll	$6,717,050	$6,573,421	$6,571,773	$6,494,169
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
$912,682	$962,132	$994,607	$1,011,797	$1,019,828	$985,840
(912,682)	(962,132)	(994,607)	(1,011,797)	(1,019,828)	(985,840)
$0	$0	$0	$0	$0	$0
$7,020,631	$7,401,015	$7,650,823	$7,783,054	$7,844,831	$7,583,385
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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.

INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):		10.555	$56,766	$56,766
Cash Assistance:				
National School Breakfast Program	05-PU-17	10.553	192,462	192,462
National School Lunch Program	04-PU-17	10.555	415,751	415,751
Cash Assistance Subtotal			608,213	608,213
Total U.S Department of Agriculture - Nutrition Cluster (Cash and Non-cash)			664,979	664,979
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education Grants to States				
(IDEA Part B)	6B-SF-16	84.027	126,042	73,311
	6B-SF-17		401,134	451,835
Dyslexia Pilot Project Grant			7,616	7,616
Total Special Education Grants to States			534,792	532,762
Special Education - Preschool Grants	PG-S1-17	84.173	23,303	23,303
Total Special Education - Preschool Grants			23,303	23,303
Total Special Education Cluster			558,095	556,065
Title II A - Improving Teacher Quality	TRS1-2016	84.367	1,927	1,925
	TRS1-2017		114,324	115,319
Total Title II A - Improving Teacher Quality			116,251	117,244
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-16	84.010	116,901	87,020
	C1-S1-17		501,831	528,227
Title I School Improvement				
Total Grants to Local Educational Agencies (ESEA Title I)			618,732	615,247
Total U.S. Department of Education			1,293,078	1,288,556
Total Federal Awards			**$1,958,057**	**$1,953,535**

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

INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

Indian Creek Local School District
Jefferson County
587 Bantam Ridge Road
Wintersville, Ohio 43953

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Creek Local School District, Jefferson County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 22, 2018.

Internal Control Over Financial Reporting

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

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

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 22, 2018

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

Indian Creek Local School District
Jefferson County
587 Bantam Ridge Road
Wintersville, Ohio 43953

To the Board of Education:

Report on Compliance for each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on each Major Federal Program

In our opinion, Indian Creek Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 22, 2018

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified –Special Education Cluster 84.027 and 84.173
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA # 84.027 and 84.173 Special Education Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None

3.FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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INDIAN CREEK LOCAL SCHOOL DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 15, 2018