

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017***

**LAURA BRICKNER, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Seneca East Local School District  
13343 U.S. 224  
Attica, Ohio 44807

We have reviewed the *Independent Auditor's Report* of the Seneca East Local School District, Seneca County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 12, 2018

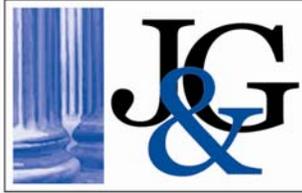
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**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

Seneca East Local School District  
Seneca County  
13343 U.S. 224  
Attica, Ohio 44807

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

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

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District, Seneca County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2017, on our consideration of the Seneca East Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Seneca East Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 26, 2017

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The discussion and analysis of the Seneca East Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- Net position of governmental activities increased \$179,760, which represents a 2.01% increase from 2016.
- General revenues accounted for \$10,357,437 in revenue or 81.75% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,311,632, or 18.25%, of total revenues of \$12,669,069.
- The District had \$12,489,309 in expenses related to governmental activities; \$2,311,632 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,357,437 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$10,494,287 in revenues and \$9,590,832 in expenditures and other financing uses. During fiscal year 2017, the general fund's fund balance increased \$903,455 from a balance of \$2,576,474 to a balance of \$3,479,929.
- The District's debt service fund had \$1,033,530 in revenues and \$789,369 in expenditures. During fiscal year 2017, the debt service fund's fund balance increased \$244,161 from a balance of \$907,101 to a balance of \$1,151,262.

**Using these Basic Financial Statements**

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities, and food service operations.

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

*Fund Financial Statements*

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund and the debt service fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the 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 basic financial statements.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

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**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**The District as a Whole**

The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

	<b>Net Position</b>	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 10,843,421	\$ 9,443,040
Capital assets, net	<u>26,225,884</u>	<u>26,883,168</u>
Total assets	<u>37,069,305</u>	<u>36,326,208</u>
<b><u>Deferred Outflows of Resources</u></b>		
Unamortized deferred charges on debt refunding	701,268	744,202
Pension	<u>3,028,893</u>	<u>1,280,580</u>
Total deferred outflows of resources	<u>3,730,161</u>	<u>2,024,782</u>
<b><u>Liabilities</u></b>		
Current liabilities	965,226	1,006,203
Long-term liabilities:		
Due within one year	616,930	577,763
Due in more than one year:		
Net pension liability	16,069,815	13,003,907
Other amounts	<u>10,199,261</u>	<u>10,406,918</u>
Total liabilities	<u>27,851,232</u>	<u>24,994,791</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	3,766,669	3,513,775
Pensions	<u>53,112</u>	<u>893,731</u>
Total deferred inflows of resources	<u>3,819,781</u>	<u>4,407,506</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	18,011,004	18,359,497
Restricted	458,955	497,051
Unrestricted (deficit)	<u>(9,341,506)</u>	<u>(9,907,855)</u>
Total net position	<u>\$ 9,128,453</u>	<u>\$ 8,948,693</u>

The District has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

Under the new standards required by GASB 68, the net pension liability equals the 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 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 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.

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$9,128,453. Of this total, \$458,955 is restricted in use.

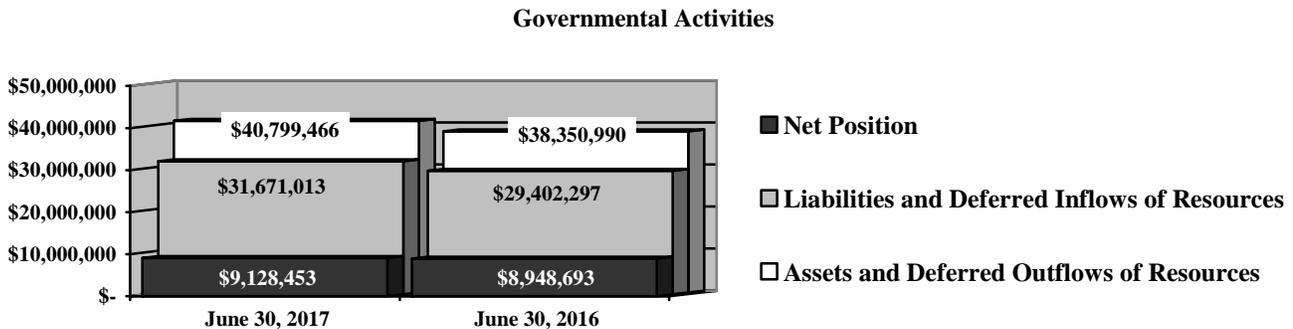
**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

At year-end, capital assets represented 70.75% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2017 was \$18,011,004. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$458,955, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$9,341,506.

The graph below shows the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2017 and 2016.



The table below shows the change in net position for fiscal years 2017 and 2016.

	<b>Change in Net Position</b>	
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,429,535	\$ 1,341,614
Operating grants and contributions	882,097	889,867
General revenues:		
Property taxes	4,105,622	3,837,217
School district income taxes	1,098,171	1,102,985
Grants and entitlements	5,087,672	4,914,587
Investment earnings	28,165	25,164
Other	<u>37,807</u>	<u>39,261</u>
Total revenues	<u>12,669,069</u>	<u>12,150,695</u>

(Continued)

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Change in Net Position (Continued)**

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,680,186	\$ 5,070,804
Special	1,391,026	1,247,745
Vocational	176,265	162,270
Adult/continuing	3,000	4,000
Support services:		
Pupil	232,888	230,998
Instructional staff	154,792	150,952
Board of education	60,522	74,839
Administration	781,567	754,200
Fiscal	407,500	371,474
Business	6,662	15,166
Operations and maintenance	763,632	859,270
Pupil transportation	915,553	702,430
Central	213,956	203,854
Operations of non-instructional services:		
Other non-instructional services	22,558	22,058
Food service operations	461,005	412,012
Extracurricular activities	603,251	482,007
Interest and fiscal charges	<u>614,946</u>	<u>593,044</u>
Total expenses	<u>12,489,309</u>	<u>11,357,123</u>
Change in net position	179,760	793,572
Net position at beginning of year	<u>8,948,693</u>	<u>8,155,121</u>
Net position at end of year	<u>\$ 9,128,453</u>	<u>\$ 8,948,693</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$179,760. Total governmental expenses of \$12,489,309 were offset by program revenues of \$2,311,632 and general revenues of \$10,357,437. Program revenues supported 18.51% of the total governmental expenses.

The primary sources of revenue for governmental activities in fiscal year 2017 are derived from property taxes, school district income taxes and grants and entitlements. These revenue sources represent 81.23% of total governmental revenue. Property taxes increased during the year resulting from the timing of collections and advances available from Seneca and Huron Counties. Advances available to the District were \$332,334, \$312,779, and \$285,401 at June 30, 2017, 2016, and 2015, respectively, and were recognized as revenue in the year in which the District could draw on these property tax collections.

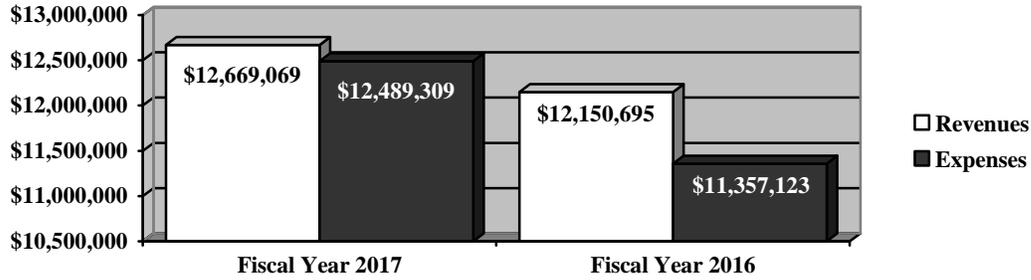
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,250,477 or 58.05% of total governmental expenses for fiscal year 2017.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

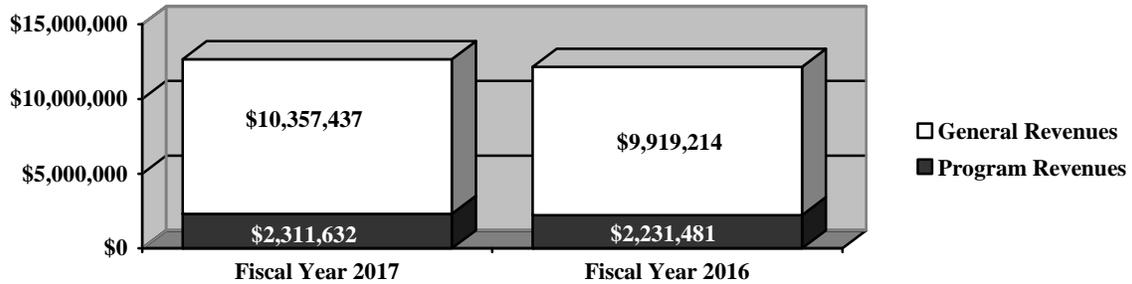
The graph below presents governmental activities revenues and expenses for fiscal year 2017 and 2016.

**Governmental Activities - Revenues and Expenses**



The graph below presents the District's governmental activities revenues for fiscal year 2017 and 2016.

**Governmental Activities - General and Program Revenues**



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

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Governmental Activities**

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,680,186	\$ 4,808,429	\$ 5,070,804	\$ 4,178,944
Special	1,391,026	693,035	1,247,745	619,637
Vocational	176,265	126,785	162,270	131,948
Adult/continuing	3,000	3,000	4,000	4,000
Support services:				
Pupil	232,888	227,494	230,998	211,674
Instructional staff	154,792	154,635	150,952	147,000
Board of education	60,522	60,522	74,839	74,835
Administration	781,567	781,560	754,200	754,200
Fiscal	407,500	407,500	371,474	371,474
Business	6,662	6,662	15,166	15,166
Operations and maintenance	763,632	727,787	859,270	822,752
Pupil transportation	915,553	915,553	702,430	694,078
Central	213,956	208,556	203,854	198,454
Operations of non-instructional services				
Food service operations	461,005	22,558	412,012	22,011
Other non-instructional services	22,558	77,280	22,058	22,058
Extracurricular activities	603,251	341,375	482,007	264,367
Debt service:				
Interest and fiscal charges	614,946	614,946	593,044	593,044
Total expenses	<u>\$ 12,489,309</u>	<u>\$ 10,177,677</u>	<u>\$ 11,357,123</u>	<u>\$ 9,125,642</u>

The District's dependence upon taxes and other general revenues for governmental activities is apparent, as 77.67% of instruction activities are supported through such revenues. For all governmental activities, general revenue support is 81.49%. The District's taxpayers and grants and entitlements received from the state of Ohio, are the primary support for District's students.

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$5,892,935, which is \$1,137,837 higher than last year's fund balance of \$4,755,098.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

<u>Fund</u>	<u>Fund Balance June 30, 2017</u>	<u>Fund Balance June 30, 2016</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 3,479,929	\$ 2,576,474	\$ 903,455	35.07 %
Debt service	1,151,262	907,101	244,161	26.92 %
Nonmajor governmental	1,261,744	1,271,523	(9,779)	(0.77) %
Total	<u>\$ 5,892,935</u>	<u>\$ 4,755,098</u>	<u>\$ 1,137,837</u>	23.93 %

***General Fund***

The District's general fund revenues were 2.77% higher than in fiscal year 2016, while expenditures increased 6.57%, resulting in an increase in the fund balance of the general fund of \$903,455.

The table that follows assists in illustrating the activities of the District's general fund during fiscal year 2017.

	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 4,245,148	\$ 4,170,079	\$ 75,069	1.80 %
Tuition	878,650	836,877	41,773	4.99 %
Earnings on investments	26,448	23,859	2,589	10.85 %
Intergovernmental	5,248,623	5,100,147	148,476	2.91 %
Other revenues	<u>95,418</u>	<u>80,219</u>	<u>15,199</u>	18.95 %
Total	<u>\$ 10,494,287</u>	<u>\$ 10,211,181</u>	<u>\$ 283,106</u>	2.77 %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,891,716	\$ 5,426,174	\$ 465,542	8.58 %
Support services	3,038,591	2,973,369	65,222	2.19 %
Extracurricular activities	274,235	235,211	39,024	16.59 %
Debt service	<u>41,290</u>	<u>41,290</u>	-	- %
Total	<u>\$ 9,245,832</u>	<u>\$ 8,676,044</u>	<u>\$ 569,788</u>	6.57 %

Total tax revenue of the general fund increased 1.80% from the prior year; this increase resulted from advances of property taxes available from Seneca and Huron Counties of \$332,334, \$312,779, and \$285,401 at June 30, 2017, 2016, and 2015, respectively, which are recognized as revenue in the year in which the District could draw on these advances rather than when cash is received. The increase in intergovernmental revenues can be partially attributed to an increase of state foundation payments received during fiscal year 2017. Earnings on investments increased due to increase in performance of the District's investments. All other revenue line items remained consistent with 2017.

Overall, expenditures increased \$569,788, or 6.57%, from 2016. Instruction expenditures increased \$465,542 due mainly to an increase in regular and special instruction related expenditures. All other expenditures remained consistent with those of the prior fiscal year.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

***Debt Service Fund***

The District's debt service fund had \$1,033,530 in revenues and \$789,369 in expenditures. During fiscal year 2017, the debt service fund's fund balance increased \$244,161 from a balance of \$907,101 to a balance of \$1,151,262.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2017, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,206,328 and were increased to \$10,421,406 in the final budget. Actual revenues and other financing sources for fiscal year 2017 were \$10,442,660. This represents an increase of \$21,254 from final budgeted revenues and other financing sources.

General fund original budgeted expenditures and other financing uses were \$9,437,983 and final budgeted expenditures and other financing uses were \$9,787,826. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$9,762,058, which were \$25,768 below budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2017, the District had \$26,225,884 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows the balances of the District's capital assets at June 30, 2017 compared to June 30, 2016.

**Capital Assets at June 30, Net of Depreciation**

	Governmental Activities	
	2017	2016
Land	\$ 20,972	\$ 20,972
Building and improvements	25,223,750	25,839,606
Furniture and equipment	604,975	707,958
Vehicles	376,187	314,632
Total	\$ 26,225,884	\$ 26,883,168

The overall decrease in capital assets of \$657,284 is due to depreciation expense of \$892,059 and disposals (net of depreciation) of \$21,185 exceeding capital asset additions of \$255,960 during fiscal year 2017.

See Note 9 to the basic financial statements for more information pertaining to the District's capital assets.

***Debt Administration***

At June 30, 2017, the District had \$9,283,266 in general obligation bonds and \$27,077 in capital lease obligations outstanding. Of this total, \$547,077 is due within one year and \$8,763,266 is due in greater than one year.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The following table summarizes the bonds and lease obligations outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds	\$ 9,283,266	\$ 9,430,241
Capital lease obligations	<u>27,077</u>	<u>66,234</u>
<b>Total</b>	<b><u>\$ 9,310,343</u></b>	<b><u>\$ 9,496,475</u></b>

See Note 11 to the basic financial statements for additional information regarding these transactions and the District's debt administration.

**Current Financial Related Activities**

The Seneca East Local School District relies heavily upon property taxes, income taxes, and intergovernmental revenue from the State of Ohio to support its operations. These revenue sources represented 30.06%, 10.40%, and 49.58% of total general fund revenues, respectively, during fiscal year 2017. The District ended the year with a budgetary-basis unencumbered balance in the general fund of \$3,207,223. The District relies on unrestricted revenues of the general fund for its operations more than in prior years due to reductions in federal funding. Through sound financial planning the district has been able to increase its cash balance in the general fund while still funding the replacement, technology, and severance fund from transfers out of the general fund. The district has not requested new operating money since 2000 and just passed a renewal of its income tax in May of 2015.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Laura Brickner, Treasurer, Seneca East Local School District, 13343 U.S. 224, Attica, Ohio 44807.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 6,086,546
Receivables:	
Property taxes . . . . .	4,192,108
Income taxes. . . . .	429,875
Accounts. . . . .	1,361
Accrued interest . . . . .	692
Intergovernmental . . . . .	60,164
Prepayments . . . . .	62,258
Materials and supplies inventory. . . . .	1,695
Inventory held for resale. . . . .	7,051
Loans receivable . . . . .	1,671
Capital assets:	
Nondepreciable capital assets . . . . .	20,972
Depreciable capital assets, net. . . . .	26,204,912
Capital assets, net . . . . .	26,225,884
Total assets. . . . .	37,069,305
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	701,268
Pension - STRS . . . . .	2,432,286
Pension - SERS . . . . .	596,607
Total deferred outflows of resources . . . . .	3,730,161
 <b>Liabilities:</b>	
Accounts payable. . . . .	27,501
Accrued wages and benefits payable . . . . .	739,306
Intergovernmental payable . . . . .	35,001
Pension and postemployment benefits payable . . . . .	143,817
Accrued interest payable . . . . .	19,601
Long-term liabilities:	
Due within one year. . . . .	616,930
Due in more than one year:	
Net pension liability . . . . .	16,069,815
Other amounts due in more than one year . . . . .	10,199,261
Total liabilities . . . . .	27,851,232
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	3,766,669
Pension - STRS. . . . .	3,752
Pension - SERS. . . . .	49,360
Total deferred inflows of resources . . . . .	3,819,781
 <b>Net position:</b>	
Net investment in capital assets . . . . .	18,011,004
Restricted for:	
Classroom facilities maintenance . . . . .	313,461
Federally funded programs . . . . .	7,689
Student activities . . . . .	61,331
Other purposes . . . . .	76,474
Unrestricted (deficit) . . . . .	(9,341,506)
Total net position. . . . .	\$ 9,128,453

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,680,186	\$ 821,470	\$ 50,287	\$ (4,808,429)
Special . . . . .	1,391,026	94,330	603,661	(693,035)
Vocational . . . . .	176,265	-	49,480	(126,785)
Adult/continuing. . . . .	3,000	-	-	(3,000)
Support services:				
Pupil. . . . .	232,888	-	5,394	(227,494)
Instructional staff . . . . .	154,792	-	157	(154,635)
Board of education . . . . .	60,522	-	-	(60,522)
Administration. . . . .	781,567	-	7	(781,560)
Fiscal. . . . .	407,500	-	-	(407,500)
Business. . . . .	6,662	-	-	(6,662)
Operations and maintenance . . . . .	763,632	35,845	-	(727,787)
Pupil transportation. . . . .	915,553	-	-	(915,553)
Central . . . . .	213,956	-	5,400	(208,556)
Operation of non-instructional services:				
Other non-instructional services . . . . .	22,558	-	-	(22,558)
Food service operations . . . . .	461,005	217,208	166,517	(77,280)
Extracurricular activities. . . . .	603,251	260,682	1,194	(341,375)
Interest and fiscal charges . . . . .	614,946	-	-	(614,946)
Total governmental activities . . . . .	<u>\$ 12,489,309</u>	<u>\$ 1,429,535</u>	<u>\$ 882,097</u>	<u>(10,177,677)</u>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	3,156,300
Debt service. . . . .	909,772
Classroom facilities maintenance. . . . .	39,550
Income taxes levied for:	
General purposes . . . . .	1,098,171
Grants and entitlements not restricted to specific programs . . . . .	5,087,672
Investment earnings . . . . .	28,165
Miscellaneous . . . . .	37,807
Total general revenues . . . . .	<u>10,357,437</u>
Change in net position . . . . .	179,760
<b>Net position at beginning of year . . . . .</b>	<u>8,948,693</u>
<b>Net position at end of year. . . . .</b>	<u>\$ 9,128,453</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 3,672,144	\$ 1,076,635	\$ 1,337,767	\$ 6,086,546
Receivables:				
Property taxes. . . . .	3,217,648	941,819	32,641	4,192,108
Income taxes . . . . .	429,875	-	-	429,875
Accounts . . . . .	1,361	-	-	1,361
Accrued interest . . . . .	692	-	-	692
Interfund loans . . . . .	9,556	-	-	9,556
Intergovernmental. . . . .	35,537	-	24,627	60,164
Prepayments. . . . .	61,669	-	589	62,258
Materials and supplies inventory. . . . .	626	-	1,069	1,695
Inventory held for resale. . . . .	-	-	7,051	7,051
Loans receivable. . . . .	1,671	-	-	1,671
Total assets . . . . .	<u>\$ 7,430,779</u>	<u>\$ 2,018,454</u>	<u>\$ 1,403,744</u>	<u>\$ 10,852,977</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 26,691	\$ -	\$ 810	\$ 27,501
Accrued wages and benefits payable . . . . .	658,631	-	80,675	739,306
Compensated absences payable . . . . .	42,614	-	-	42,614
Intergovernmental payable . . . . .	33,911	-	1,090	35,001
Pension and postemployment benefits payable . . . . .	131,581	-	12,236	143,817
Interfund loans payable. . . . .	-	-	9,556	9,556
Total liabilities. . . . .	<u>893,428</u>	<u>-</u>	<u>104,367</u>	<u>997,795</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	2,891,186	846,279	29,204	3,766,669
Delinquent property tax revenue not available. . . . .	71,452	20,913	740	93,105
Income tax revenue not available . . . . .	76,757	-	-	76,757
Intergovernmental revenue not available. . . . .	18,027	-	7,689	25,716
Total deferred inflows of resources . . . . .	<u>3,057,422</u>	<u>867,192</u>	<u>37,633</u>	<u>3,962,247</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	626	-	1,069	1,695
Prepays. . . . .	61,669	-	589	62,258
Restricted:				
Debt service . . . . .	-	1,151,262	-	1,151,262
Classroom facilities maintenance . . . . .	-	-	312,721	312,721
Food service operations . . . . .	-	-	76,530	76,530
Other purposes. . . . .	-	-	18,193	18,193
Extracurricular. . . . .	-	-	61,331	61,331
Committed:				
Capital improvements . . . . .	-	-	860,440	860,440
Termination benefits. . . . .	69,752	-	-	69,752
Assigned:				
Student instruction . . . . .	40,201	-	-	40,201
Student and staff support. . . . .	33,201	-	-	33,201
Other purposes. . . . .	272,034	-	-	272,034
Unassigned (deficit) . . . . .	3,002,446	-	(69,129)	2,933,317
Total fund balances . . . . .	<u>3,479,929</u>	<u>1,151,262</u>	<u>1,261,744</u>	<u>5,892,935</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 7,430,779</u>	<u>\$ 2,018,454</u>	<u>\$ 1,403,744</u>	<u>\$ 10,852,977</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2017

<b>Total governmental fund balances</b>		\$	5,892,935
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			26,225,884
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	93,105	
Income taxes receivable		76,757	
Intergovernmental receivable		25,716	
Total		195,578	195,578
Unamortized premiums on bonds issued are not recognized in the funds.			(825,141)
Unamortized amounts on refundings are not recognized in the funds.			701,268
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(19,601)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		3,028,893	
Deferred inflows of resources - pension		(53,112)	
Net pension liability		(16,069,815)	
Total		(13,094,034)	(13,094,034)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(9,283,266)	
Capital lease obligations		(27,077)	
Compensated absences		(638,093)	
Total		(9,948,436)	(9,948,436)
<b>Net position of governmental activities</b>		\$	9,128,453

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,154,378	\$ 905,799	\$ 39,945	\$ 4,100,122
Income taxes . . . . .	1,090,770	-	-	1,090,770
Tuition . . . . .	878,650	-	-	878,650
Earnings on investments . . . . .	26,448	-	1,717	28,165
Charges for services . . . . .	-	-	217,208	217,208
Extracurricular . . . . .	16,631	-	245,235	261,866
Classroom materials and fees . . . . .	37,150	-	4,505	41,655
Rental income . . . . .	8,340	-	21,816	30,156
Contributions and donations . . . . .	20,623	-	23,722	44,345
Other local revenues . . . . .	12,674	-	4,510	17,184
Intergovernmental - state . . . . .	5,202,547	127,731	30,631	5,360,909
Intergovernmental - federal . . . . .	46,076	-	543,950	590,026
Total revenues . . . . .	<u>10,494,287</u>	<u>1,033,530</u>	<u>1,133,239</u>	<u>12,661,056</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,831,929	-	105,739	4,937,668
Special . . . . .	906,604	-	396,425	1,303,029
Vocational . . . . .	150,183	-	-	150,183
Adult/continuing . . . . .	3,000	-	-	3,000
Support services:				
Pupil . . . . .	209,038	-	2,195	211,233
Instructional staff . . . . .	126,446	-	64	126,510
Board of education . . . . .	59,613	-	-	59,613
Administration . . . . .	702,390	-	7	702,397
Fiscal . . . . .	351,453	21,996	1,000	374,449
Business . . . . .	1,855	-	-	1,855
Operations and maintenance . . . . .	821,146	-	112,556	933,702
Pupil transportation . . . . .	561,999	-	181,436	743,435
Central . . . . .	204,651	-	5,400	210,051
Operation of non-instructional services:				
Other non-instructional services . . . . .	-	-	500	500
Food service operations . . . . .	-	-	403,200	403,200
Extracurricular activities . . . . .	274,235	-	279,496	553,731
Debt service:				
Principal retirement . . . . .	39,157	262,049	-	301,206
Interest and fiscal charges . . . . .	2,133	247,373	-	249,506
Accretion on capital appreciation bonds . . . . .	-	257,951	-	257,951
Total expenditures . . . . .	<u>9,245,832</u>	<u>789,369</u>	<u>1,488,018</u>	<u>11,523,219</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,248,455</u>	<u>244,161</u>	<u>(354,779)</u>	<u>1,137,837</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	345,000	345,000
Transfers (out) . . . . .	<u>(345,000)</u>	<u>-</u>	<u>-</u>	<u>(345,000)</u>
Total other financing sources (uses) . . . . .	<u>(345,000)</u>	<u>-</u>	<u>345,000</u>	<u>-</u>
Net change in fund balances . . . . .	903,455	244,161	(9,779)	1,137,837
<b>Fund balances at beginning of year . . . . .</b>	<u>2,576,474</u>	<u>907,101</u>	<u>1,271,523</u>	<u>4,755,098</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,479,929</u>	<u>\$ 1,151,262</u>	<u>\$ 1,261,744</u>	<u>\$ 5,892,935</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Net change in fund balances - total governmental funds</b>	\$	1,137,837
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 255,960	
Current year depreciation	(892,059)	
Total		(636,099)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(21,185)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	5,500	
Intergovernmental	(4,888)	
Income taxes	7,401	
Total		8,013
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	262,049	
Capital appreciation bonds	257,951	
Capital leases	39,157	
Total		559,157
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Accreted interest on capital appreciation bonds	(373,025)	
Amortization of bond premiums	50,519	
Amortization of deferred charges	(42,934)	
Total		(365,440)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		790,929
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,267,905)
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.		
		(25,547)
<b>Change in net position of governmental activities</b>	\$	179,760

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,045,188	\$ 3,146,196	\$ 3,146,196	\$ -
Income taxes. . . . .	1,119,975	1,083,476	1,083,476	-
Tuition. . . . .	837,004	877,910	878,650	740
Earnings on investments . . . . .	5,625	7,412	8,103	691
Classroom materials and fees . . . . .	38,096	37,150	37,150	-
Rental income . . . . .	749	1,000	1,000	-
Contributions and donations . . . . .	3,319	10,623	10,623	-
Contract services. . . . .	66,806	-	-	-
Other local revenues . . . . .	4,382	12,672	12,674	2
Intergovernmental - state . . . . .	5,008,363	5,196,265	5,196,265	-
Intergovernmental - federal . . . . .	46,076	26,255	46,076	19,821
<b>Total revenues . . . . .</b>	<b>10,175,583</b>	<b>10,398,959</b>	<b>10,420,213</b>	<b>21,254</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,499,434	4,925,028	4,921,091	3,937
Special. . . . .	885,576	986,402	981,182	5,220
Vocational. . . . .	185,343	151,710	150,177	1,533
Support services:				
Pupil. . . . .	185,492	210,041	210,041	-
Instructional staff . . . . .	115,976	128,262	128,262	-
Board of education . . . . .	65,845	59,411	59,411	-
Administration. . . . .	741,176	712,544	710,994	1,550
Fiscal . . . . .	410,929	348,398	347,967	431
Business . . . . .	4,409	1,765	1,765	-
Operations and maintenance. . . . .	908,350	861,884	860,014	1,870
Pupil transportation . . . . .	601,430	571,003	564,749	6,254
Central. . . . .	212,238	211,222	208,886	2,336
Extracurricular activities. . . . .	223,728	261,131	261,131	-
<b>Total expenditures . . . . .</b>	<b>9,039,926</b>	<b>9,428,801</b>	<b>9,405,670</b>	<b>23,131</b>
Excess of revenues over expenditures. . . . .	1,135,657	970,158	1,014,543	44,385
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	11,694	18,407	18,407	-
Transfers in . . . . .	-	229	229	-
Transfers (out). . . . .	(398,057)	(345,231)	(345,231)	-
Advances in. . . . .	19,051	3,811	3,811	-
Advances (out) . . . . .	-	(13,794)	(11,157)	2,637
<b>Total other financing sources (uses) . . . . .</b>	<b>(367,312)</b>	<b>(336,578)</b>	<b>(333,941)</b>	<b>2,637</b>
Net change in fund balance . . . . .	768,345	633,580	680,602	47,022
<b>Fund balance at beginning of year . . . . .</b>	<b>2,416,045</b>	<b>2,416,045</b>	<b>2,416,045</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>110,576</b>	<b>110,576</b>	<b>110,576</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 3,294,966</b>	<b>\$ 3,160,201</b>	<b>\$ 3,207,223</b>	<b>\$ 47,022</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 57,135	\$ 27,968
Total assets. . . . .	57,135	\$ 27,968
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 275
Due to students. . . . .	-	19,048
Due to other funds . . . . .	-	6,974
Loans payable. . . . .	-	1,671
Total liabilities . . . . .	-	\$ 27,968
<b>Net position:</b>		
Held in trust for scholarships . . . . .	57,135	
Total net position. . . . .	\$ 57,135	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 3,650
Total additions. . . . .	3,650
 <b>Deductions:</b>	
Scholarships awarded . . . . .	17,330
Change in net position . . . . .	(13,680)
<b>Net position at beginning of year . . . . .</b>	<b>70,815</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 57,135</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1971. The District serves an area of approximately 154 square miles and is located in Seneca and Huron Counties. The District is staffed by 70 certified employees, 41 classified employees and 6 administrators who provide services to 913 students from preschool through grade 12 and other community members. The District currently operates one instructional facility.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. Payments made by the District to NOECA for services during fiscal year 2017 totaled \$13,597. Financial information may be obtained from NOECA, 219 Howard Drive, Sandusky, Ohio 44870.

Vanguard-Sentinel Career and Technology Center

The Vanguard-Sentinel Career and Technology Center (Career Center) is a distinct political subdivision of the State of Ohio, which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of one representative from the Seneca East Local School District, one representative from twelve other participating school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Career Center is its own budgeting and taxing authority. Financial information can be obtained from Alan Binger, Vanguard-Sentinel Career and Technology Center, 1306 Cedar Street, Fremont, Ohio 43420.

Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member boards of education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an Assembly consisting of a representative from each participating school district. Financial information may be obtained from the North Point Educational Service Center, which serves as fiscal agent, 1210 East Bogart Road, Sandusky, Ohio 44870.

Northwestern Ohio Educational Research Council, Incorporated

The Northwestern Ohio Educational Research Council, Inc. is a non-profit organization under the direction of a Board of Directors. The Council was formed to provide conferences and training to personnel of the participating districts. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. To obtain financial information write to the Northwestern Ohio Educational Research Council, Inc., Andrew M. Smith, Treasurer, at 441 E. Market Street, Celina, Ohio 45822.

North Central Ohio Regional Council of Governments (NCORCOG)

NCORCOG is a legally separate body politic and corporate served by an eight-member Board of Directors that meets the definition of regional Council of governments under Chapter 167 of the Ohio Revised Code. NCORCOG is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The initial, founding members, and Board of Directors are North Central Ohio Educational Service Center, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and Seneca East Local School District. The Superintendent of North Central Ohio Educational Service Center serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The Treasurer of North Central Ohio Educational Service Center serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision shall be entitled to one vote.

North Central Ohio ESC serves as the fiscal agent. NCORCOG issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio Educational Service Center, 928 W. Market Street, Tiffin, Ohio 44883.

*RELATED ORGANIZATION*

Seneca East Public Library

The Seneca East Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Seneca East Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Seneca East Public Library, Pam Dunson, who serves as Fiscal Officer, 14 North Main Street, Attica, Ohio 44807.

*INSURANCE PURCHASING POOLS*

North Central Ohio Joint Self-Insurance Association (the "Association")

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, three school districts - Old Fort, Seneca East and Mohawk and one city school, Tiffin. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of its members. The North Central Ohio Educational Service Center serves as fiscal agent of the Association; to obtain financial information by writing to the Treasurer of the North Central Ohio ESC, 928 West Market Street, Suite A, Tiffin, Ohio 44883.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. 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. Refer to Note 12.D. for further detail regarding the GRP.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

The following are the District's major governmental funds:

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Debt service fund* - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed for specified purposes other than debt service or capital projects.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Revenues - Exchange and Nonexchange 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income 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 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction is accrued (see Note 7).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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, income taxes, interest, contributions and donations, grants and entitlements, and other local revenues.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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 District, see Note 13 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 District, deferred inflows of resources include property taxes 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 of resources on both the government-wide statement of net position and the 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 District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

For the District, see Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a corresponding amount reported as intergovernmental revenue.

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.

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2017 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2017.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2017. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a portion of restricted, committed or assigned classifications of fund balance.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2017, investments were limited to nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposits, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the replacement fund (a nonmajor governmental fund), the capital projects fund (a nonmajor governmental fund), the classroom facilities maintenance fund (a nonmajor governmental fund), and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$26,448, which includes \$10,145 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets specifically related to activities reported in the governmental funds. 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 District maintains a capitalization threshold of \$1,500. Donated capital assets are recorded at their acquisition values as of the date received. 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. The District does not possess infrastructure.

All reported capital assets except land 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
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans among the governmental activities are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position. Interfund loans between governmental fund and private purpose trust funds are classified as "loans receivable/payable".

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Compensated Absences**

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2017, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave for employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

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

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

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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 District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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 District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**M. Net Position**

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At the fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of the assets.

**O. Estimates**

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

**P. Interfund Activity**

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

Interfund activity between governmental funds is eliminated in the statement of activities.

**Q. Bond Issuance Costs, Bond Premiums and Discounts, Accounting Gain or Loss**

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 11.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the refunded debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

**SENECA EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**R. 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.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The District did not have any material tax abatements to disclose.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

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

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 30,381
Title I	29,302
Improving Teacher Quality	9,446

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

**NOTE 4 - DEPOSITS**

State statutes classify monies held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or 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;

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**NOTE 4 - DEPOSITS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$2,050 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**SENECA EAST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all District deposits, including \$481,155 in non-negotiable certificates of deposit, was \$6,169,599. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$5,845,989 of the District's bank balance of \$6,345,989 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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

**C. Investments**

The District held no investments at June 30, 2017.

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2017:

<u>Cash and cash equivalents per footnote</u>	
Carrying amount of deposits	\$ 6,169,599
Cash on hand	<u>2,050</u>
Total	<u>\$ 6,171,649</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 6,086,546
Private-purpose trust fund	57,135
Agency funds	<u>27,968</u>
Total	<u>\$ 6,171,649</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfers to other governmental funds from:</u>	<u>Amount</u>
General fund	<u>\$ 345,000</u>

**SENECA EAST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

- B.** Interfund balances at June 30, 2017 as reported on the fund statements include the following interfund loans receivable and payable:

Receivable fund	Payable fund	Amount
General	Nonmajor governmental funds	<u>\$ 9,556</u>

This interfund balance will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the statement of net position.

- C.** Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year end:

Receivable fund	Payable fund	Amount
General	Agency fund	<u>\$ 1,671</u>

The loan results from advances from the general fund to the student managed activity agency fund to provide resources for yearbooks.

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

**NOTE 6 - PROPERTY TAXES**

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

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SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Seneca and Huron Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$255,010 in the general fund, \$74,627 in the debt service fund and \$2,697 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$246,828 in the general fund, \$62,080 in the debt service fund and \$3,871 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 162,225,800	95.10	\$ 162,542,790	94.88
Public utility personal	<u>8,351,590</u>	<u>4.90</u>	<u>8,763,590</u>	<u>5.12</u>
Total	<u>\$ 170,577,390</u>	<u>100.00</u>	<u>\$ 171,306,380</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$36.65		\$36.65	

**SENECA EAST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The voters of the District passed a 1% school district income tax that was renewed in May 2015. This tax is effective for five years and will expired on December 31, 2020. School district income tax revenue credited to the general fund during fiscal year 2017 was \$1,090,770.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2017 consisted of property and income taxes, accounts, accrued interest, and intergovernmental grants and entitlements. 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 year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 4,192,108
Income taxes	429,875
Accounts	1,361
Accrued interest	692
Intergovernmental	<u>60,164</u>
Total	<u>\$ 4,684,200</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 9 - CAPITAL ASSETS**

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

	Balance 6/30/16	Additions	Disposals	Balance 6/30/17
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 20,972	\$ -	\$ -	\$ 20,972
Total capital assets, not being depreciated	<u>20,972</u>	<u>-</u>	<u>-</u>	<u>20,972</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	30,781,817	-	-	30,781,817
Furniture and equipment	2,214,177	74,524	(23,931)	2,264,770
Vehicles	1,181,938	181,436	-	1,363,374
Total capital assets, being depreciated	<u>34,177,932</u>	<u>255,960</u>	<u>(23,931)</u>	<u>34,409,961</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(4,942,211)	(615,856)	-	(5,558,067)
Furniture and equipment	(1,506,219)	(156,322)	2,746	(1,659,795)
Vehicles	(867,306)	(119,881)	-	(987,187)
Total accumulated depreciation	<u>(7,315,736)</u>	<u>(892,059)</u>	<u>2,746</u>	<u>(8,205,049)</u>
Governmental activities capital assets, net	<u>\$ 26,883,168</u>	<u>\$ (636,099)</u>	<u>\$ (21,185)</u>	<u>\$ 26,225,884</u>

**SENECA EAST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 446,613
Special	32,248
Vocational	16,577
<u>Support services:</u>	
Pupil	9,401
Instructional staff	26,653
Board of education	757
Administration	55,131
Fiscal	17,124
Business	4,807
Operations and maintenance	37,698
Pupil transportation	150,782
Food service operations	43,003
Other non-instructional services	22,058
Extracurricular	<u>29,207</u>
Total depreciation expense	<u>\$ 892,059</u>

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

The District has entered into capitalized leases for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$184,991. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2017 was \$166,491, leaving a current book value of \$18,500. A corresponding liability was recorded in the government-wide financial statements. Principal payments for capital leases in the 2017 fiscal year totaled \$39,157 and were paid by the general fund.

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 27,526
Total minimum lease payments	27,526
Less: amount representing interest	<u>(449)</u>
Total	<u>\$ 27,077</u>

**SENECA EAST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2017, the following changes occurred in governmental activities' long-term obligations.

	Balance 06/30/16	Additions	Reductions	Balance 06/30/17	Amounts Due in One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 9,430,241	\$ 373,025	\$ (520,000)	\$ 9,283,266	\$ 520,000
Capital lease obligations	66,234	-	(39,157)	27,077	27,077
Net pension liability	13,003,907	3,065,908	-	16,069,815	-
Compensated absences	<u>612,546</u>	<u>95,386</u>	<u>(27,225)</u>	<u>680,707</u>	<u>69,853</u>
Total long-term liabilities	<u>\$ 23,112,928</u>	<u>\$ 3,534,319</u>	<u>\$ (586,382)</u>	26,060,865	<u>\$ 616,930</u>
Add: Unamortized premium on Series 2013 General Obligation Refunding Bonds				<u>825,141</u>	
Total long-term obligations reported on the statement of net position				<u>\$ 26,886,006</u>	

Capital Lease Obligation: Capital lease obligations will be paid from the general fund. See Note 10 for details.

Net Pension Liability: See Note 13 for detail on the net pension liability.

Compensated Absences: Compensated absences will be paid from the fund from which employees' salaries are paid, which for the District is primarily the general fund.

- B. Series 2005 General Obligation Bonds: On November 1, 2005, the District issued Series 2005 General Obligation Bonds. Proceeds of \$11,845,986 from the issuance were used to finance the District's portion of its Ohio School Facilities Commission project and retired the \$9,000,000 in bond anticipation notes issued on May 3, 2005.

The issue is comprised of both current interest bonds, par value \$11,800,000, and capital appreciation bonds, par value \$45,986. Interest rates on the current interest bonds range from 3.5% to 4.5% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2033. A portion of the Series 2005 General Obligation Bonds was refunded during fiscal year 2013 in the amount of \$8,550,000. The current interest bonds matured on December 1, 2015.

The capital appreciation bonds mature on December 1, 2018, 2019, and 2020 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date at stated approximate yields to maturity of 4.65%, 4.70%, and 4.80%, respectively. The accreted value at maturity for the capital appreciation bonds is \$1,335,000. Total accreted interest of \$845,752 has been included in the statement of net position.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity of the Series 2005 General Obligation Bonds for fiscal year 2017.

	Balance 06/30/16	Additions	Reductions	Balance 06/30/17
Series 2005 General Obligation Bonds:				
Capital appreciation bonds	\$ 45,986	\$ -	\$ -	\$ 45,986
Accreted interest on capital appreciation bonds	644,667	201,085	-	845,752
Total Series 2005 General Obligation Bonds	<u>\$ 690,653</u>	<u>\$ 201,085</u>	<u>\$ -</u>	<u>\$ 891,738</u>

Future debt service requirements for the Series 2005 General Obligation Bonds are as follows:

Fiscal Year Ending	Capital Appreciation Bonds		
	June 30, Principal	Interest	Total
2018	\$ -	\$ -	\$ -
2019	19,126	425,874	445,000
2020	15,037	429,963	445,000
2021	11,823	433,177	445,000
Total	<u>\$ 45,986</u>	<u>\$ 1,289,014</u>	<u>\$ 1,335,000</u>

- C. Series 2013 General Obligation Refunding Bonds: On June 18, 2013, the District issued Series 2013 General Obligation Refunding Bonds to advance refund \$8,550,000 of the Series 2005 current interest bonds. Issuance proceeds of \$9,424,792 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased in substance and has been removed from the statement of net position; as of June 30, 2017, the balance of the defeased debt amounted to \$8,550,000.

The refunding issue is comprised of both current interest bonds, par value \$7,975,000, and capital appreciation bonds, par value \$574,993. The interest rates on the current interest bonds range from 1.0% to 3.5% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2033. There were no principal payments made during FY17. The balance of the current interest refunding bonds at June 30, 2017, is \$7,705,000.

The capital appreciation bonds mature on December 1, 2016, 2017, and 2021 at a redemption price equal to 100% of the principal plus accrued interest to the redemption date at stated approximate yields to maturity of 1.35%, 1.55%, and 2.75%, respectively. The accreted value at maturity for the capital appreciation bonds is \$1,565,000. Total accreted interest of \$373,584 has been included in the statements of activities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The reacquisition price exceeded the net carrying amount of the refunded debt by \$874,792; this amount is amortized as a deferred outflow of resources over the remaining term of the refunded debt, which is equal to the life of the new debt issued.

The following is a schedule of activity of the Series 2013 General Obligation Refunding Bonds for fiscal year 2017:

	Balance 06/30/16	Additions	Reductions	Balance 06/30/17
Series 2013 General				
Obligation Refunding Bonds:				
Current interest bonds	\$ 7,705,000	\$ -	\$ -	\$ 7,705,000
Capital appreciation bonds	574,993	-	(262,049)	312,944
Accreted interest on capital appreciation bonds	459,595	171,940	(257,951)	373,584
Total Series 2013 General				
Obligation Refunding Bonds	\$ 8,739,588	\$ 171,940	\$ (520,000)	\$ 8,391,528

Future debt service requirements for the Series 2013 General Obligation Refunding Bonds are as follows:

Fiscal Year Ending	Series 2013 General Obligation Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	June 30,	Principal	Interest	Total	Principal	Interest
2018	\$ -	\$ 247,374	\$ 247,374	\$ 214,875	\$ 305,125	\$ 520,000
2019	75,000	246,680	321,680	-	-	-
2020	75,000	245,293	320,293	-	-	-
2021	75,000	243,905	318,905	-	-	-
2022	-	243,211	243,211	98,069	426,931	525,000
2023 - 2027	2,750,000	1,054,776	3,804,776	-	-	-
2028 - 2032	3,210,000	587,725	3,797,725	-	-	-
2033 - 2034	1,520,000	56,075	1,576,075	-	-	-
Total	\$ 7,705,000	\$ 2,925,039	\$ 10,630,039	\$ 312,944	\$ 732,056	\$ 1,045,000

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**D. Legal Debt Margin:** The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$8,504,906 (including available funds of \$1,151,262) and an unvoted debt margin of \$171,306.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The 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 District contracted for the following insurance coverage:

Coverage provided by Schools of Ohio Risk Sharing Authority (SORSA) is as follows:

Buildings and Contents -replacement cost (\$250 deductible)	\$37,391,181
Computer Equipment (\$250 deductible) – blanket all locations	1,250,000
Maintenance Equipment (\$250 deductible)	Included in Buildings & Contents Limit
Misc. Radio (\$250 deductible)	Included in Buildings & Contents Limit
Musical Instruments (\$250 deductible)	1,000,000
Automobile Liability	15,000,000
Uninsured Motorists - per person	100,000
Medical Payments - per person	10,000
General Liability –	
Each Occurrence Limit	15,000,000
Damage to Premises Rented Limit – any one premises	500,000
Medical Expense Limit – any one person	10,000
Personal and Advertising Injury Limit – any one person or organization	15,000,000
General Aggregate Limit	17,000,000
School Leaders Errors and Omissions	
Each Wrongful Act Limit	15,000,000
Aggregate Limit	15,000,000
Deductible – one wrongful act	2,500
Sexual Misconduct and Molestation Liability	
Each Loss Limit	Included in General Liability
Aggregate Limit	Included in General Liability

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

Employers Stop Gap Liability	
Bodily Injury by Accident – each accident limit	15,000,000
Bodily Injury by Disease – policy limit	15,000,000
Bodily Injury by Disease – each employee limit	15,000,000
Aggregate	15,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage from the prior year

**B. Health, Dental, Vision and Life Insurance**

During fiscal year 2017, the District provided dental, vision and life insurance to employees through the North Central Ohio Joint Self Insurance Association. The North Central Ohio Joint Self Insurance Association is a public entity risk pool for five member school Districts and the North Central Ohio Educational Service Center. The risk of loss transfers entirely to the pool. The District paid a monthly premium to the pool for dental, vision and life insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

**C. Prescription Drug Insurance**

Effective July 1, 2013, the District was no longer self-insured for employee prescription drug insurance. PRM Plus, Inc. was the third party administrator of the plan. All run-out claims were paid during fiscal year 2014.

**D. Workers' Compensation Plan**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the immediate past president of the Ohio School Boards Association. 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 plan to cover the cost of administering the Plan.

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Comp Management provided administrative, cost control and actuarial services to the Plan for fiscal year 2017

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - 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 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.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the 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 pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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 entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$160,162 for fiscal year 2017. Of this amount, \$16,479 is reported as pension and postemployment benefits payable.

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 will be 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 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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

The District's contractually required contribution to STRS was \$630,767 for fiscal year 2017. Of this amount, \$107,068 is reported as pension and postemployment benefits payable.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03736590%	0.03933764%	
Proportion of the net pension liability current measurement date	<u>0.03664450%</u>	<u>0.03999573%</u>	
Change in proportionate share	<u>-0.00072140%</u>	<u>0.00065809%</u>	
Proportionate share of the net pension liability	\$ 2,682,039	\$ 13,387,776	\$ 16,069,815
Pension expense	\$ 253,620	\$ 1,014,285	\$ 1,267,905

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 36,174	\$ 540,932	\$ 577,106
Net difference between projected and actual earnings on pension plan investments	221,230	1,111,545	1,332,775
Changes of assumptions	179,041	-	179,041
Difference between District contributions and proportionate share of contributions/ change in proportionate share		149,042	149,042
District contributions subsequent to the measurement date	<u>160,162</u>	<u>630,767</u>	<u>790,929</u>
Total deferred outflows of resources	<u>\$ 596,607</u>	<u>\$ 2,432,286</u>	<u>\$ 3,028,893</u>
<b>Deferred inflows of resources</b>			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>\$ 49,360</u>	<u>\$ 3,752</u>	<u>\$ 53,112</u>
Total deferred inflows of resources	<u>\$ 49,360</u>	<u>\$ 3,752</u>	<u>\$ 53,112</u>

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$790,929 reported as deferred outflows of resources related to pension resulting from 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	\$ 88,999	\$ 297,645	\$ 386,644
2019	88,839	297,645	386,484
2020	145,650	724,178	869,828
2021	63,597	478,299	541,896
Total	\$ 387,085	\$ 1,797,767	\$ 2,184,852

***Actuarial Assumptions - SERS***

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

**SENECA EAST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**SENECA EAST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**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 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%)
District's proportionate share of the net pension liability	\$ 3,550,853	\$ 2,682,039	\$ 1,954,806

**Actuarial Assumptions - STRS**

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 17,791,267	\$ 13,387,776	\$ 9,673,173

**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 District's NPL is expected to be significant.

**SENECA EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$20,270.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$20,270, \$19,092, and \$26,177, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

**B. State Teachers Retirement System**

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

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While 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 and disbursements.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 680,602
Net adjustment for revenue accruals	21,929
Net adjustment for expenditure accruals	134,436
Net adjustment for other sources and uses	(11,059)
Funds budgeted elsewhere	13,309
Adjustment for encumbrances	64,238
GAAP basis	<u>\$ 903,455</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the farm fund, the public school support fund and the termination benefits fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. Foundation Funding**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 16 - CONTINGENCIES - (Continued)**

**D. Pollution Remediation**

During 1998, the District had a 1,000 gallon underground storage tank removed and, during closure activities, soil analytical results indicated a release has occurred from the dispenser and piping. Remediation and monitoring activities took place in the subsequent years. The Bureau of Underground Storage Tank Regulations (BUSTR), a subdivision of the Ohio Department of Commerce, is requiring the District to perform further pollution remediation activities on the site. During fiscal year 2017, the District made payments of \$800 to TTL Associates, Inc. for pre-cleanup activities related to additional testing and monitoring. No payments were made in the available period and any further pollution remediation liabilities, such as cleanup activities, are not estimable at this time but may require further costs to be incurred by the District.

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	164,106
Current year qualifying expenditures	(75,866)
Current year offsets	(54,566)
Prior year offset from bond proceeds	<u>(33,674)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

During fiscal year 2005 the District issued \$11,845,986 in capital related general obligation bonds. These proceeds may be used to reduce the capital acquisition set-aside to zero in future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$10,961,237 at June 30, 2017.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 18 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 58,864
Nonmajor governmental	<u>10,771</u>
Total	<u>\$ 69,635</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03664450%	0.03736590%	0.03814400%	0.03814400%
District's proportionate share of the net pension liability	\$ 2,682,039	\$ 2,132,134	\$ 1,930,446	\$ 2,268,301
District's covered payroll	\$ 1,153,279	\$ 1,124,909	\$ 1,108,391	\$ 1,026,936
District's proportionate share of the net pension liability as a percentage of its covered payroll	232.56%	189.54%	174.17%	220.88%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03999573%	0.03933764%	0.03938389%	0.03938389%
District's proportionate share of the net pension liability	\$ 13,387,776	\$ 10,871,773	\$ 9,579,525	\$ 11,411,068
District's covered payroll	\$ 4,205,721	\$ 4,154,000	\$ 4,023,946	\$ 4,059,992
District's proportionate share of the net pension liability as a percentage of its covered payroll	318.32%	261.72%	238.06%	281.06%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 160,162	\$ 161,459	\$ 148,263	\$ 153,623
Contributions in relation to the contractually required contribution	<u>(160,162)</u>	<u>(161,459)</u>	<u>(148,263)</u>	<u>(153,623)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,144,014	\$ 1,153,279	\$ 1,124,909	\$ 1,108,391
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ 142,128	\$ 131,845	\$ 115,970	\$ 119,271	\$ 90,517	\$ 89,664
<u>(142,128)</u>	<u>(131,845)</u>	<u>(115,970)</u>	<u>(119,271)</u>	<u>(90,517)</u>	<u>(89,664)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,026,936	\$ 980,260	\$ 922,593	\$ 880,879	\$ 919,888	\$ 913,075
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 630,767	\$ 588,801	\$ 581,560	\$ 523,113
Contributions in relation to the contractually required contribution	<u>(630,767)</u>	<u>(588,801)</u>	<u>(581,560)</u>	<u>(523,113)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,505,479	\$ 4,205,721	\$ 4,154,000	\$ 4,023,946
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ 527,799	\$ 525,386	\$ 479,725	\$ 484,643	\$ 452,906	\$ 456,191
(527,799)	(525,386)	(479,725)	(484,643)	(452,906)	(456,191)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,059,992	\$ 4,041,431	\$ 3,690,192	\$ 3,728,023	\$ 3,483,892	\$ 3,509,162
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

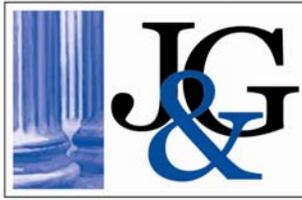
Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financials for the methods and assumptions in this calculation.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Seneca East Local School District  
Seneca County  
13343 U.S. 224  
Attica, Ohio 44807

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 Seneca East Local School District, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Seneca East Local School District's basic financial statements and have issued our report thereon dated December 26, 2017.

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

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

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

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

Board of Education  
Seneca East Local School District

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 26, 2017

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</b>
2016-001	Per GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District is required to allocate constraint places on the use of resources into five fund balance classifications. The District had adjustments to record the reassignment of items to these five classifications to better show records on the District's financials.	Yes	Finding no longer valid

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# Dave Yost • Auditor of State

**SENECA – EAST LOCAL SCHOOL DISTRICT**

**SENECA COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 22, 2018**