NORTHWEST
LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2018

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

OHIO AUDITOR OF STATE
KEITH FABER

Board of Education
Northwest Local School District
800 Mohawk Dr
McDermott, OH 45652

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

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

Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2019

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Northwest Local School District
Table of Contents
For the Fiscal Year Ended June 30, 2018

FINANCIAL SECTION

Independent Auditor's Report 1

Management's Discussion and Analysis. 4

Basic Financial Statements:

Government-wide Financial Statements

Statement of Net Position 11

Statement of Activities. 12

Fund Financial Statements

Balance Sheet - Governmental Funds 13

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities 14

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 15

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 16

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund 17

Statement of Fiduciary Net Position - Fiduciary Fund. 18

Statement of Changes in Fiduciary Net Position - Fiduciary Fund. 19

Notes to the Basic Financial Statements 20

REQUIRED SUPPLEMENTAL SCHEDULES

Schedule of the School District's Proportionate Share of the Net Pension Liability 56

Schedule of the School District's Proportionate Share of the Net OPEB Liability 57

Schedule of the School District Contributions 58

Notes to the Required Supplementary Information 59

SUPPLEMENTAL SCHEDULE

Schedule of Federal Awards Expenditures....61

Notes to the Schedule of Federal Awards Receipts and Expenditures....62

AUDIT REPORTS

Independent Auditor's Report on Internal Control over Financial Reporting and on on Compliance and Other Matters Required by *Government Auditing Standards*....63

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with *Uniform Guidance*....65

Schedule of Findings....67

Independent Auditor's Report

Board of Education
Northwest Local School District
800 Mohawk Drive
McDermott, Ohio 45652

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 Northwest Local School District (District), Scioto County as of and for the year ended June 30, 2018, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Northwest Local School District, Scioto County, Ohio as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 4-10 and schedules of net pension/OPEB liabilities and pension/OPEB contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

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

December 13, 2018

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The Northwest Local School District's (the School District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- The School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2018 by $6,350,212.
- The School District's net position of governmental activities increased $9,550,746.
- General revenues accounted for $17,696,003 or 79 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for $4,641,575 or 21 percent of total revenues of $22,337,578.
- The School District had $12,786,832 in expenses related to governmental activities; $4,641,575 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The statement of net position and statement of activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's 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 the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the School District as a Whole

The analysis of the School District as a whole begins on page 6. These statements provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account nonfinancial factors that also impact the School District's financial well-being. Some of these factors include the condition of capital assets and required educational support services to be provided.

In the statement of net position and the statement of activities, the School District has only one kind of activity.

- Governmental activities. Most of the School District's programs and services are reported here including instruction and support services.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's major fund is the general fund.

Governmental Funds

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's scholarship funds.

The School District as a Whole

As stated previously, the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

Table 1
Net Position

	2018	2017*
Assets:		
Current and Other Assets	$10,243,190	$8,300,701
Capital Assets, Net	21,686,568	22,494,207
Total Assets	31,929,758	30,794,908
Deferred Outflows of Resources	6,465,031	5,066,663
Liabilities:		
Current and Other Liabilities	2,156,813	2,174,903
Long-Term Liabilities	26,321,048	34,719,774
Total Liabilities	28,477,861	36,894,677
Deferred Inflows of Resources	3,566,716	2,167,428
Net Position:		
Net Investment in Capital Assets	20,731,068	21,074,707
Restricted	729,741	554,071
Unrestricted (Deficit)	(15,110,597)	(24,829,312)
Total Net Position	$6,350,212	($3,200,534)

*As restated. See note 22 to the basic financial statements.

Total net position of the School District as a whole increased $9,550,746. Current and other assets increased $1,942,489, due primarily to an increase in cash balances. Capital assets decreased $807,639, due to current year depreciation and disposals exceeding current year additions. Deferred outflows of resources increased $1,398,368, due to changes in actuarially determined amounts related to the School District's proportionate share of the state-wide net pension and OPEB liabilities. Current and other liabilities decreased $18,090, due primarily to a decrease in accrued wages and benefits payable. Long-term liabilities decreased $8,398,726, due primarily to a decrease in the net pension and OPEB liabilities and principal payments on long-term debt. Deferred inflows of resources increased $1,399,288, due to changes in actuarially determined amounts related to the School District's proportionate share of the state-wide net pension and OPEB liabilities and due to an increase in deferred inflows related to taxes receivable.

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017 from $2,172,961 to a deficit of $3,200,534.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2018 and 2017.

Table 2
Change in Net Position

	2018	2017
Revenues		
Program Revenues:		
Charges for Services and Sales	$1,099,307	$1,208,873
Operating Grants and Contributions	3,542,268	3,606,636
Total Program Revenues	4,641,575	4,815,509
General Revenues:		
Taxes Levied for:		
General Purposes	2,104,491	2,021,651
Permanent Improvement	53,377	51,321
Grants and Entitlements, Not Restricted to Specific Programs	15,400,741	15,026,273
Unrestricted Grants and Donations	0	228
Insurance Recoveries	4,206	162
Investment Earnings	14,803	12,773
Miscellaneous	118,385	127,596
Total General Revenues	17,696,003	17,240,004
Total Revenues	22,337,578	22,055,513
Program Expenses:		
Instruction:		
Regular	6,395,470	11,300,915
Special	1,679,087	2,300,065
Vocational	49,715	105,524
Student Intervention Services	34,858	24,633
Other	255	0
Support Services:		
Pupils	511,271	843,397
Instructional Staff	467,893	568,933
Board of Education	70,483	65,920
Administration	174,823	1,571,894
Fiscal	127,985	325,401
Operation and Maintenance of Plant	1,437,940	2,100,229
Pupil Transportation	930,498	1,611,291
Central	4,085	21,266
Operation of Non-Instructional Services	612,625	844,964
Extracurricular Activities	260,843	301,848
Interest and Fiscal Charges	29,001	60,313
Total Expenses	12,786,832	22,046,593
Change in Net Position	9,550,746	8,920
Net Position at Beginning of Year – As Restated	(3,200,534)	N/A
Net Position at End of Year	$6,350,212	($3,200,534)

Charges for services and sales decreased $109,566 between years, due primarily to a decrease in tuition and fees. Grants and entitlements not restricted to specific programs increased $374,468, due primarily to an increase in state foundation funding. General and permanent improvement taxes and operating grants and contributions remained relatively consistent between years.

Decreases in expenses were experienced across most functions due to the recognition of negative net pension and OPEB expenses totaling $7,936,955 allocated amongst the functions. After considering the effects of pension and OPEB expense on functions, there was an additional decrease for administration support services due to a decrease in personnel costs. Other expense line items remained relatively consistent between years after considering the effects of pension and OPEB expense.

Governmental Activities

Grants and entitlements not restricted to specific programs comprised 69 percent of revenue for governmental activities, while operating grants and contributions comprised 16 percent of revenue for governmental activities, and property taxes comprised 10 percent of revenue for governmental activities of the School District for fiscal year 2018.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 50 percent of governmental program expenses while special instruction comprised 13 percent of governmental expenses. Operation and maintenance of plant and pupil transportation expenses comprised 11 percent and 7 percent, respectively.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3
Total and Net Cost of Program Services

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	$8,159,385	$13,731,137	$4,995,094	$10,552,338
Support Services	3,724,978	7,108,331	3,042,990	6,273,451
Operation of Non-Instructional Services	612,625	844,964	(89,135)	131,025
Extracurricular Activities	260,843	301,848	167,307	213,957
Interest and Fiscal Charges	29,001	60,313	29,001	60,313
Total Expenses	$12,786,832	$22,046,593	$8,145,257	$17,231,084

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $22,955,815 and expenditures and other financing uses of $21,057,211. The net change in fund balance for the year was most significant in the general fund.

The fund balance of the general fund increased in the amount of $1,600,672. This was a result of revenues in excess of expenditures. Total revenues increased due to an increase in state foundation funding. In addition, total expenditures decreased due to a decrease in administration support services due to decreased personnel costs.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. During 2018, there were several revisions to the general fund budget. In part, these revisions increased appropriations by $7,666 as a result of an increase in special instruction and operation and maintenance of plant support services, which was partially offset by a decrease to regular instruction, pupil and instructional staff support services, and capital outlay. These revisions increased estimated resources by $929,905 as a result of increased budgeting for intergovernmental revenues due to an increase in state foundation funding. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The general fund's ending unobligated cash balance was $6,076,697.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $21,686,568 invested in its capital assets. Table 4 shows the fiscal year 2018 balances compared to 2017.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

	2018	2017
Land	$403,451	$403,451
Land Improvements	692,266	720,605
Buildings and Improvements	18,338,842	19,313,667
Furniture and Equipment	1,093,319	1,103,769
Vehicles	1,052,761	846,786
Textbooks	105,929	105,929
Totals	$21,686,568	$22,494,207

Changes in capital assets from the prior year resulted from current year additions, disposals, and depreciation expense. See note 7 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2018, the School District had two notes outstanding. These notes had balances of $112,500 and $693,000, respectively, at the end of the year. The School District also had capital lease obligations outstanding of $150,000. See notes 11 and 12 to the basic financial statements for more detailed information regarding debt.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Julie Smith, Treasurer, Northwest Local School District, 800 Mohawk Drive, McDermott, Ohio 45652.

Northwest Local School District
Statement of Net Position
As of June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$7,002,911
Intergovernmental Receivable	219,146
Property Taxes Receivable	3,021,133
Nondepreciable Capital Assets	403,451
Depreciable Capital Assets, net	21,283,117
Total Assets	31,929,758
Deferred Outflows of Resources:	
Pension	6,308,943
OPEB	156,088
Total Deferred Outflows of Resources	6,465,031
Liabilities:	
Accounts Payable	14,894
Accrued Wages and Benefits	1,893,065
Intergovernmental Payable	244,067
Accrued Interest Payable	4,787
Long-Term Liabilities:	
Due Within One Year	379,979
Due in More Than One Year	2,231,236
Net Pension Liability	19,381,085
Net OPEB Liability	4,328,748
Total Liabilities	28,477,861
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	2,014,948
Pension	1,032,528
OPEB	519,240
Total Deferred Inflows of Resources	3,566,716
Net Position:	
Net Investment in Capital Assets	20,731,068
Restricted for Capital Outlay	338,875
Restricted for Other Purposes	390,866
Unrestricted (Deficit)	(15,110,597)
Total Net Position	$6,350,212

The notes to the basic financial statements are an integral part of this statement

Northwest Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	$6,395,470	$437,102	$726,015	($5,232,353)
Special	1,679,087	141,697	1,835,290	297,900
Vocational	49,715	4,064	17,086	(28,565)
Student Intervention Services	34,858	3,015	0	(31,843)
Other	255	22	0	(233)
Support Services:				
Pupils	511,271	104,834	5,602	(400,835)
Instructional Staff	467,893	8,361	367,541	(91,991)
Board of Education	70,483	6,095	0	(64,388)
Administration	174,823	17,303	0	(157,520)
Fiscal	127,985	10,867	0	(117,118)
Operation and Maintenance of Plant	1,437,940	78,067	2,499	(1,357,374)
Pupil Transportation	930,498	75,419	0	(855,079)
Central	4,085	0	5,400	1,315
Operation of Noninstructional Services	612,625	120,221	581,539	89,135
Extracurricular Activities	260,843	92,240	1,296	(167,307)
Interest and Fiscal Charges	29,001	0	0	(29,001)
Total Governmental Activities	$12,786,832	$1,099,307	$3,542,268	(8,145,257)

General Revenues:	
Property Taxes Levied for:	
General Purposes	2,104,491
Permanent Improvements	53,377
Grants and Entitlements not Restricted for Specific Programs	15,400,741
Insurance Recoveries	4,206
Investment Earnings	14,803
Miscellaneous	118,385
Total General Revenues	17,696,003
Change in Net Position	9,550,746
Net Position Beginning of Year - As Restated	(3,200,534)
Net Position End of Year	$6,350,212

The notes to the basic financial statements are an integral part of this statement

Northwest Local School District
Balance Sheet
Governmental Funds
As of June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	$6,304,874	$698,037	$7,002,911
Interfund Receivable	81,923	0	81,923
Intergovernmental Receivable	1,724	217,422	219,146
Property Taxes Receivable	2,948,598	72,535	3,021,133
Total Assets	$9,337,119	$987,994	$10,325,113
Liabilities:			
Accounts Payable	$13,594	$1,300	$14,894
Accrued Wages and Benefits	1,678,530	214,535	1,893,065
Interfund Payable	0	81,923	81,923
Intergovernmental Payable	226,972	17,095	244,067
Total Liabilities	1,919,096	314,853	2,233,949
Deferred Inflows of Resources:			
Property Taxes not Levied to Finance Current Year Operations	1,967,384	47,564	2,014,948
Unavailable Revenue-Property Taxes	888,334	22,535	910,869
Unavailable Revenue-Grants	0	69,599	69,599
Deferred Inflows of Resources	2,855,718	139,698	2,995,416
Fund Balances:			
Restricted	0	699,173	699,173
Committed	271,583	0	271,583
Assigned	106,221	0	106,221
Unassigned (Deficit)	4,184,501	(165,730)	4,018,771
Total Fund Balances	4,562,305	533,443	5,095,748
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$9,337,119	$987,994	$10,325,113

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
As of June 30, 2018

Total Governmental Fund Balances		$5,095,748
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,686,568
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	910,869	
Intergovernmental	69,599	
Total		980,468
The net pension liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows-Pension	6,308,943	
Deferred Outflows-OPEB	156,088	
Deferred Inflows-Pension	(1,032,528)	
Deferred Inflows-OPEB	(519,240)	
Net Pension Liability	(19,381,085)	
Net OPEB Liability	(4,328,748)	
Total		(18,796,570)
Long-term liabilities, including notes and related liabilities, capital leases, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(4,787)	
Compensated Absences	(1,655,715)	
Capital Lease Obligations	(150,000)	
Notes Payable	(805,500)	
Total		(2,616,002)
Net Position of Governmental Activities		$6,350,212

The notes to the basic financial statements are an integral part of this statement

Northwest Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	$2,030,600	$51,502	$2,082,102
Intergovernmental	17,215,854	1,875,873	19,091,727
Interest	29,510	0	29,510
Decrease in Fair Value of Investments	(14,707)	0	(14,707)
Tuition and Fees	819,055	0	819,055
Rent	1,519	0	1,519
Extracurricular Activities	65,902	92,093	157,995
Gifts and Donations	3,948	1,496	5,444
Customer Sales and Services	0	120,738	120,738
Miscellaneous	114,015	4,370	118,385
Total Revenues	20,265,696	2,146,072	22,411,768
Expenditures:			
Current:			
Instruction:			
Regular	9,082,526	811,594	9,894,120
Special	2,356,167	34,569	2,390,736
Vocational	104,244	0	104,244
Student Intervention Services	34,858	0	34,858
Other	255	0	255
Support Services:			
Pupils	811,005	1,752	812,757
Instructional Staff	155,532	367,725	523,257
Board of Education	70,483	0	70,483
Administration	1,181,442	0	1,181,442
Fiscal	312,031	1,569	313,600
Operation and Maintenance of Plant	1,609,782	4,050	1,613,832
Pupil Transportation	1,441,908	0	1,441,908
Central	34,126	5,400	39,526
Operation of Noninstructional Services	0	788,593	788,593
Extracurricular Activities	160,847	109,515	270,362
Capital Outlay	485,779	52,504	538,283
Debt Service:			
Principal	274,000	190,000	464,000
Interest	14,404	20,710	35,114
Total Expenditures	18,129,389	2,387,981	20,517,370
Excess of Revenues Over (Under) Expenditures	2,136,307	(241,909)	1,894,398
Other Financing Sources (Uses):			
Transfers In	0	539,841	539,841
Insurance Recoveries	4,206	0	4,206
Transfers Out	(539,841)	0	(539,841)
Total Other Financing Sources (Uses)	(535,635)	539,841	4,206
Net Change in Fund Balances	1,600,672	297,932	1,898,604
Fund Balance at Beginning of Year	2,961,633	235,511	3,197,144
Fund Balance at End of Year	$4,562,305	$533,443	$5,095,748

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$1,898,604
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation and capital asset additions in the current period.		
Capital Asset Additions	538,283	
Current Year Depreciation	(1,295,836)	
Total		(757,553)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(50,086)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(154,162)	
Taxes	75,766	
Total		(78,396)
Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.		1,308,453
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		6,628,502
Repayments of note principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		190,000
Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		274,000
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.		6,113
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in Compensated Absences	131,109	
Total		131,109
Net Change in Net Position of Governmental Activities		$9,550,746

The notes to the basic financial statements are an integral part of this statement

Northwest Local School District

Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Total Revenues and Other Financing Sources	$19,357,524	$20,287,429	$20,287,429	$0
Total Expenditures and Other Financing Uses	18,723,204	18,730,870	18,730,867	3
Net Change in Fund Balance	634,320	1,556,559	1,556,562	3
Fund Balance at Beginning of Year - As Restated	4,446,324	4,446,324	4,446,324	0
Prior Year Encumbrances Appropriated	73,811	73,811	73,811	0
Fund Balance at End of Year	$5,154,455	$6,076,694	$6,076,697	$3

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

As of June 30, 2018

	Private Purpose Trust Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	$74,559	$42,968
Total Assets	$74,559	$42,968
Liabilities:		
Undistributed Monies		$42,968
Total Liabilities		$42,968
Net Position:		
Held in Trust for Scholarships	$74,559	
Total Net Position	$74,559	

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust Fund
Additions:	
Gifts and Contributions	$28,426
Interest	1,052
Total Additions	29,478
Deductions:	
Payments in Accordance with Trust Agreements	27,250
Total Deductions	27,250
Change in Net Position	2,228
Net Position Beginning of Year	72,331
Net Position End of Year	$74,559

The notes to the basic financial statements are an integral part of this statement.

Note 1 – Description of the School District and Reporting Entity

Description of the School District

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 187 square miles. It is located in Scioto County, and includes all of the Villages of Rarden and Otway and portions of Brush, Rush, Union, Morgan and Rarden Townships. It is staffed by 72 noncertificated and administrative employees and 105 certificated full-time teaching personnel who provide services to 1,411 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity

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

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

The following organizations which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these organizations nor are they fiscally dependent on the School District:

- Parent Teacher Organizations
- Booster Associations
- Alumni Associations

The School District is associated with four organizations, three of which are defined as jointly governed organizations and one as a public entity shared risk pool. These organizations are the META Solutions, the Coalition of Rural and Appalachian Schools, The Ohio Coalition of Equity and Adequacy of School Funding, and Optimal Health Initiatives. These organizations are presented in motes 14 and 15 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

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 purpose 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, liabilities, and deferred inflows/outflows of resources is reported as fund balance. The following is the School District's major governmental fund:

General Fund

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

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

<u>Fiduciary Funds</u>

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's scholarship funds.

Measurement Focus

<u>Government-wide Financial Statements</u>

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

<u>Fund Financial Statements</u>

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and certain deferred inflows/outflows 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.

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. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements; which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and are further explained in note 9.

In addition to liabilities, the statement of net position and balance sheet sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position/fund balance that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources included property taxes, pension and OPEB, and unavailable revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental funds balance sheet. Unavailable revenue is reported only on the governmental funds balance sheet and represents grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2018. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and are further explained in note 9.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave, and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the permanent appropriations were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2018.

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

Encumbrances

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements, encumbrances outstanding at fiscal year-end are reported as a restriction, commitment, or assignment of fund balance for subsequent year expenditures for governmental funds. A restriction, commitment, or assignment for encumbrances is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis in the statement of revenues, expenditures and changes in fund balances – budget and actual (budgetary basis) presented for the general fund.

Cash and Cash Equivalents

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

During fiscal year 2018, the School District invested funds in negotiable certificates of deposit, money market funds, federal government agency securities, and the State Treasury Asset Reserve of Ohio (STAROhio).

During fiscal year 2018, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $29,510. The School District also recognized a decrease in the fair value of investments in the amount of $14,707 for 2018.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of $1,000. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School District does not capitalize interest for capital asset purchases.

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	Estimated Lives
Land Improvements	10-25 Years
Buildings and Improvements	20-25 Years
Furniture and Equipment	10-15 Years
Vehicles	10-15 Years
Textbooks	5-10 Years

Interfund Balances

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

Compensated Absences

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

The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The School District records an accrual for sick leave to the extent it is probable that benefits will result in termination payments. The accrual amount is based upon an estimate of the School District's past experience of making termination payments.

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

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, compensated absences and net pension/OPEB liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Notes and capital leases are recognized as a liability on the fund financial statements when due.

Fund Balances

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts would represent intended uses established by the School District's Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Estimates

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

Net Position

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

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

Of the School District's restricted net position, none is restricted for enabling legislation.

Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Pensions/OPEB

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

Note 3 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures and change in fund balance - budget and actual (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 GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis);
4. 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 uniform school supplies and public school support funds.

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

Net Change in Fund Balance	
GAAP Basis	$1,600,672
Revenue Accruals	94,059
Expenditure Accruals	(38,017)
Encumbrances	(127,397)
(Excess) Deficit of Funds Combined with the General Fund for Reporting Purposes	27,245
Budget Basis	$1,556,562

Note 4 – Deposits and Investments

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, the School District's bank balance of $4,512,378 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described below.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2018, the School District had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)	S&P Credit Rating	Percentage of Portfolio
STAROhio	$1,278,849	<1 Year	AAAm	49.04%
Federal National Mortgage Association	197,596	2-5 Years	AA+	7.58%
Negotiable Certificates of Deposit	344,600	<1 Year	N/A	13.21%
Negotiable Certificates of Deposit	446,311	1-2 Years	N/A	17.11%
Negotiable Certificates of Deposit	339,103	2-5 Years	N/A	13.00%
Federated Government Obligations Money Market Fund	1,608	<1 Year	AAAm	0.06%
Total	$2,608,067			100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2018. As discussed further in note 2, STAR Ohio is reported at its share price. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. The School District limited its investments to securities in negotiable certificates of deposit, STAROhio, federal government agency obligations, and money market funds.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The School District's investment policy allows investments in STAROhio, repurchase agreements, and securities or obligations of federal agencies or instrumentalities.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the School District's securities are held in the name of the School District.

Note 5 – Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017 on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2018 (other than public utility property tax) represents the collection of 2018 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2018 were levied after April 1, 2017 on the value as of December 31, 2017. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential				
And Other Real Estate	$108,699,480	92.73%	$109,199,220	92.17%
Public Utility	8,522,240	7.27%	9,281,100	7.83%
Total Assessed Value	$117,221,720	100.00%	$118,480,320	100.00%
Tax rate per $1000 of Assessed Valuation		$20.21		$20.21

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2018 was $92,880 in the general fund and $2,436 in the permanent improvement nonmajor capital projects fund.

Note 6 - Receivables

Receivables at June 30, 2018 consisted of taxes receivable, interfund receivables, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Major Fund	
General	$1,724
Nonmajor Funds	
Early Childhood	28,992
Miscellaneous State Grants	1,082
Title I	130,143
Title VI-B	28,407
Title II-A	1,364
Miscellaneous Federal Grants	27,434
Total Nonmajor Funds	217,422
Total All Funds	$219,146

Note 7 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	Ending Balance 6/30/17	Additions	Deletions	Ending Balance 6/30/18
Capital Assets, Not Being Depreciated				
Land	$403,451	$0	$0	$403,451
Total Capital Assets, Not Being Depreciated	403,451	0	0	403,451
Capital Assets, Being Depreciated				
Land Improvements	1,953,935	109,514	(543,424)	1,520,025
Buildings and Improvements	36,846,941	25,860	(9,916)	36,862,885
Furniture and Equipment	4,531,983	149,457	(32,734)	4,648,706
Vehicles	950,961	253,452	0	1,204,413
Textbooks	1,079,146	0	0	1,079,146
Total Capital Assets, Being Depreciated	45,362,966	538,283	(586,074)	45,315,175
Less Accumulated Depreciation				
Land Improvements	(1,233,330)	(88,643)	494,214	(827,759)
Buildings and Improvements	(17,533,274)	(1,000,685)	9,916	(18,524,043)
Furniture and Equipment	(3,428,214)	(159,031)	31,858	(3,555,387)
Vehicles	(104,175)	(47,477)	0	(151,652)
Textbooks	(973,217)	0	0	(973,217)
Total Accumulated Depreciation	(23,272,210)	(1,295,836)	535,988	(24,032,058)
Total Capital Assets, Being Depreciated, Net	22,090,756	(757,553)	(50,086)	21,283,117
Governmental Activities Capital Assets, Net	$22,494,207	($757,553)	($50,086)	$21,686,568

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$682,634
Special	773
Vocational	2,367
Support Services:	
Instructional Staff	2,179
Administration	9
Fiscal	127
Operation and Maintenance of Plant	542,551
Pupil Transportation	55,491
Operation of Non-Instructional Services	2,295
Extracurricular Activities	7,410
Total Depreciation Expense	$1,295,836

Note 8 – Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with Argonaut Insurance Company for property, fleet insurance, and liability insurance coverage.

Coverages provided were as follows:

Building and contents – replacement cost	$43,152,252
Excess liability	
Per occurrence	1,000,000
Total aggregate	1,000,000
Automobile liability	1,000,000
General liability	
Per occurrence	1,000,000
Total aggregate	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District has not had a significant reduction in coverage from the prior year.

The School District is a member of Optimal Health Initiatives (OHI), Scioto Health Plan, Southeast Division of OHI (the Plan), a public entity shared risk pool (note 15), offering employee medical and dental insurance to participating school districts within the county. Monthly premiums are paid to Coworth Financial Services as fiscal agent through December 31, 2017 and Mountjoy Chilton Medley LLP beginning January 1, 2018. These fiscal agents in turn pay the claims on the School District's behalf. The Plan is responsible for the management and operations of the program. Upon a school district's termination from the Plan, the Plan shall have no obligation to the school district beyond paying claims incurred prior to termination and any applicable extended benefits that were provided under the Plan. All claims and expenses shall be paid from the funds of the Plan.

Note 9 – Defined Benefit Pension Plans and Other Postemployment Benefits

Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contributions to SERS were $295,566 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS were $1,012,887 for fiscal year 2018.

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.07140490%	0.06247950%	
Proportion of the Net Pension Liability Current Measurement Date	0.06816490%	0.06444220%	
Change in Proportionate Share	-0.00324000%	0.00196270%	
Proportionate Share of the Net Pension Liability	$4,072,702	$15,308,383	$19,381,085
Pension Expense	($182,709)	($5,764,198)	($5,946,907)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$175,275	$591,138	$766,413
Changes of assumptions	210,603	3,348,111	3,558,714
Changes in proportion and differences between School District contributions and proportionate share of contributions	79,499	595,864	675,363
School District contributions subsequent to the measurement date	295,566	1,012,887	1,308,453
Total Deferred Outflows of Resources	$760,943	$5,548,000	$6,308,943
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$123,379	$123,379
Net difference between projected and actual earnings on pension plan investments	19,331	505,194	524,525
Changes in proportion and differences between School District contributions and proportionate share of contributions	233,570	151,054	384,624
Total Deferred Inflows of Resources	$252,901	$779,627	$1,032,528

$1,308,453 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending

June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$127,223	$810,125	$937,348
2020	152,786	1,507,936	1,660,722
2021	25,118	1,061,892	1,087,010
2022	(92,651)	375,533	282,882
Total	$212,476	$3,755,486	$3,967,962

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, 2017, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	$5,651,852	$4,072,702	$2,749,842

<u>Actuarial Assumptions - STRS</u>

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017 actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

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

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$21,944,046	$15,308,383	$9,718,831

Postemployment Benefits

Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $37,180.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $48,127 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.07140490%	0.06247950%	
Proportion of the Net OPEB Liability Current Measurement Date	0.06760910%	0.06444220%	
Change in Proportionate Share	-0.00379580%	0.00196270%	
Proportionate Share of the Net OPEB Liability	$1,814,451	$2,514,297	$4,328,748
OPEB Expense	$85,633	($767,228)	($681,595)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$145,141	$145,141
School District contributions subsequent to the measurement date	10,947	0	10,947
Total Deferred Outflows of Resources	$10,947	$145,141	$156,088
Deferred Inflows of Resources			
Changes of assumptions	$172,182	$202,535	$374,717
Net difference between projected and actual earnings on OPEB plan investments	4,791	107,467	112,258
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	32,265	0	32,265
Total Deferred Inflows of Resources	$209,238	$310,002	$519,240

$10,947 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($75,273)	($36,433)	($111,706)
2020	(75,273)	(36,433)	(111,706)
2021	(57,495)	(36,433)	(93,928)
2022	(1,197)	(36,432)	(37,629)
2023	0	(9,566)	(9,566)
Thereafter	0	(9,564)	(9,564)
Total	($209,238)	($164,861)	($374,099)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$2,191,180	$1,814,451	$1,515,985

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	$1,472,291	$1,814,451	$2,267,305

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

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

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

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

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

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$3,375,403	$2,514,297	$1,833,741

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$1,746,826	$2,514,297	$3,524,379

Note 10 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for both classified and certified personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 52 days for classified and 56 days for certified personnel.

Insurance Benefits

The School District provides life insurance to most employees through the Metropolitan Education Council.

Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

Note 11 – Capital Leases – Lessee Disclosure

The School District entered into a lease purchase agreement on August 21, 2002 to finance the School District's portion of the classroom facilities project. The lease meets the criteria of a capital lease as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. Principal payments in fiscal year 2018 totaled $274,000 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2018.

Fiscal Year Ending June 30,	
2019	$153,743
Total Minimum Lease Payments	153,743
Less: Amounts Representing Interest	(3,743)
Present Value of Minimum Lease Payments	$150,000

Note 12 – Long-Term Liabilities

The changes in the School District's long-term liabilities during fiscal year 2018 were as follows:

	Principal Outstanding 6/30/17*	Additions	Deductions	Principal Outstanding 6/30/18	Due Within One Year
Bus Notes	$202,500	$0	($90,000)	$112,500	$90,000
HB 264 Notes	793,000	0	(100,000)	693,000	100,000
Total Notes	995,500	0	(190,000)	805,500	190,000
Capital Leases	424,000	0	(274,000)	150,000	150,000
Compensated Absences	1,786,824	403,984	(535,093)	1,655,715	39,979
Net Pension Liability	26,139,955	0	(6,758,870)	19,381,085	0
OPEB Liability	5,373,495	0	(1,044,747)	4,328,748	0
Total Long-Term Liabilities	$34,719,774	$403,984	($8,802,710)	$26,321,048	$379,979

*As restated. See note 22 for additional information.

In August 2014, the School District issued $450,000 in notes for the purchase of school buses. These notes carry a 2.5% interest rate and a final maturity date of August 1, 2019. These notes are general obligations of the School District.

In October 2014, the School District issued $993,000 in notes to fund an energy conservation project. These notes carry a 2.7% interest rate and a final maturity date of December 1, 2024. These notes are general obligations of the School District.

The bus notes will be repaid from the bond retirement fund. The energy conservation notes will be repaid from the general fund. Capital leases will be paid from the general fund. Compensated absences will be paid from the funds from which the employees' salaries are paid, with the most significant fund being the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was $10,550,729 with an unvoted debt margin of $118,480 at June 30, 2018.

Principal and interest requirements to retire notes at June 30, 2018 are as follows:

	HB 264 Notes		Bus Notes	
Fiscal Year Ending June 30,	Principal	Interest	Principal	Interest
2019	$100,000	$14,744	$90,000	$1,969
2020	100,000	12,744	22,500	141
2021	100,000	10,744	0	0
2022	100,000	8,744	0	0
2023	105,000	6,631	0	0
2024-2025	188,000	5,906	0	0
Total	$693,000	$59,513	$112,500	$2,110

Note 13 – Interfund Activity

Interfund Balances

Interfund balances at June 30, 2018 consist of the following individual fund receivables and payables, which are expected to be repaid during the 2019 fiscal year:

	Receivable	Payable
Major Fund		
General Fund	$81,923	$0
Nonmajor Funds		
Early Childhood	0	10,421
Title I	0	25,728
IDEA-B	0	28,407
Title II-A	0	7,747
Miscellaneous Federal Grants	0	9,620
Total Nonmajor Funds	0	81,923
Total Interfund Receivables/Payables	$81,923	$81,923

The amounts due to the general fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The general fund will be reimbursed when funds become available in the nonmajor special revenue funds.

Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2018 were as follows:

	Transfers In	Transfers Out
Major Fund		
General Fund	$0	$539,841
Nonmajor Funds		
Bond Retirement	210,710	0
Permanent Improvement	150,000	0
Food Service	114,131	0
Athletics	65,000	0
Total Nonmajor Funds	539,841	0
Total Transfers	$539,841	$539,841

Transfers were made from the general fund to various funds to subsidize operations.

Note 14 – Jointly Governed Organizations

Metropolitan Educational Technology Association (META) Solutions

META Solutions is an educational solutions partner providing services across Ohio. META Solutions provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META Solutions consists of a president, vice president and six board members who represent the members of META Solutions. The board works with META Solutions' Chief Executive Officer, Chief Operating Officer, an Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META Solutions $80,776 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District did not incur any expenditures for services provided by the Coalition during the year.

The Ohio Coalition of Equity and Adequacy of School Funding

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionally of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. The Committee exercises total control over budgeting, appropriating, contracting, and the designation of management. Member school districts and joint vocational schools pay dues of $.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of $.50 per pupil for K-12 districts and educational service centers pay dues of $.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2018, the School District paid $818 to the Coalition. To obtain financial information write to Ohio Coalition of Equity and Adequacy of School Funding at 100 South Third Street, Columbus, Ohio 43215.

<u>Note 15 – Public Entity Shared Risk Pool</u>

Optimal Health Initiatives

The School District is a member of the Optimal Health Initiatives (OHI), a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Optimal Health Initiatives (OHI), Scioto Health Plan, Southeast Division of OHI (the Plan), formerly called the Scioto County Schools Council. The overall objectives of the Plan are to formulate and administer a program of health insurance for the benefit of the Plan members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Plan's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The School District pays premiums based on what the Plan estimates will cover the costs of all claims for which the Plan is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund.

The Plan views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, Mountjoy Chilton Medley LLP, 2600 Meidinger Tower, 462 South Fourth Street, Louisville, KY 40202.

Note 16 – Set-Aside Calculation and Fund Balance Restrictions

The School District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years. The School District is no longer required to set aside funds in the budget stabilization set-aside, with the exception of monies received from the Bureau of Worker's Compensation, which must be spent for specified purposes. The School District has elected to maintain its budget stabilization set-aside to be used to offset future fund deficits. As such, this set-aside is not reflected as restricted fund balance on the fund financial statements, but is instead reflected in the unassigned fund balance classification.

The following information describes the change in the year-end set-aside amounts for capital acquisition. Disclosure of this information is required by state statute.

	Capital Acquisition
Set-aside balance as of June 30, 2017	$0
Current year set-aside requirement	263,972
Prior year offsets from bond proceeds	(5,749)
Current year qualifying disbursements	(258,223)
Total	$0
Balance carried forward to fiscal year 2019	$0
Set-aside balance as of June 30, 2018	$0

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the capital acquisition set-aside. The carryover amount in the capital acquisition set-aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the set-aside for capital acquisition to $0. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was $2,900,207 at June 30, 2018.

Note 17 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

State 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 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management and ODE believe this may result in either an additional receivable to, or a liability of, the School District.

Litigation

The School District is not currently party to legal proceedings.

Note 18 - Accountability

Fund Balance Deficits

At June 30, 2018, the nonmajor food service, early childhood, Title I, Title II-A, and miscellaneous federal grant funds had fund balance deficits of $70,270, $10,799, $45,931, $26,032, and $12,698, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 19 – Fund Balances

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

	General	Other Governmental Funds	Total Governmental Funds
Restricted			
Capital Projects and Maintenance	$0	$474,461	$474,461
Athletics	0	224,712	224,712
Total Restricted	0	699,173	699,173
Committed			
Other Purposes	25,526	0	25,526
Termination Benefits	158,485	0	158,485
Furniture Reserve	87,572	0	87,572
Total Committed	271,583	0	271,583
Assigned			
Other Purposes	88,383	0	88,383
Student and Staff Support	17,838	0	17,838
Total Assigned	106,221	0	106,221
Unassigned (Deficit)	4,184,501	(165,730)	4,018,771
Total Fund Balances	$4,562,305	$533,443	$5,095,748

Note 20 – Encumbrance Commitments

At June 30, 2018, the School District had encumbrance commitments in governmental funds as follows:

Major Fund	
General	$127,757
Nonmajor Fund	
Food Service	39,178
Athletics	2,357
Miscellaneous State Grants	1,300
Total Encumbrances	$170,592

Note 21 – New Accounting Pronouncements

For the fiscal year ended June 30, 2018, the School District was required to implement Governmental Accounting Standards Board Statements No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," No. 81, "Irrevocable Split-Interest Agreements," No. 85, "Omnibus 2017," and No. 86, "Certain Debt Extinguishment Issues."

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Among other things, Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The School District implemented GASB 75, which resulted in expanded note disclosures and required supplementary information, restatement of beginning net position, and recognition of additional deferred inflows and outflows of resources and liabilities.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. Statement No. 81 requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 85 addresses issues found during the application of: 1) blending a component unit in circumstances in which the primary government is a business-type activity reporting in a single column for financial statement presentation; 2) reporting amounts previously reported as goodwill and "negative" goodwill; 3) classifying real estate held by insurance entities; 4) measuring certain money market investments and participating interest-earning investment contracts at amortized cost; 5) timing of the measurement of pension and other postemployment benefits (OPEB) liabilities and related expenditures recognized in financial statements prepared using the current financial resources measurement focus; 6) recognizing on-behalf payments for pensions or OPEB in employer financial statements; and 7) simplifying certain aspects of the alternative measurement method for OPEB. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Under Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," government entities must consider debt to be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. Statement No. 86 generally follows the same requirements as Statement No. 7 when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Except as noted above, none of these Statements had an impact on the School District's financial statements or note disclosures.

Note 22 – Restatement of Beginning Balances

The implementation of GASB Statement No. 75 had the following effect on net position as reported June 30, 2017:

	Governmental Activities
Net Position, As Reported, June 30, 2017	$2,172,961
Restatement:	
Net OPEB Liability	(5,373,495)
Net Position, As Restated, June 30, 2017	($3,200,534)

The School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Northwest Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years

	2014	2015	2016	2017	2018
State Teachers Retirement System					
School District's proportion of the net pension liability	0.06177841%	0.06177841%	0.06292845%	0.06247950%	0.06444220%
School District's proportionate share of the net pension liability	$17,899,643	$15,026,647	$17,391,583	$20,913,775	$15,308,383
School District's covered-employee payroll	$6,716,200	$6,881,715	$6,529,100	$6,938,914	$7,070,343
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	266.5%	218.4%	266.4%	301.4%	216.5%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%
School Employees Retirement System					
School District's proportion of the net pension liability	0.06934399%	0.06934399%	0.07399760%	0.07140490%	0.06816490%
School District's proportionate share of the net pension liability	$4,123,665	$3,509,460	$4,222,374	$5,226,180	$4,072,702
School District's covered-employee payroll	$2,923,808	$1,913,853	$2,269,765	$2,278,971	$2,100,000
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.0%	183.4%	186.0%	229.3%	193.9%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%	69.5%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.
Information not available prior to 2014.
See accompanying notes to the required supplementary information.

Northwest Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years

	2017	2018
State Teachers Retirement System		
School District's proportion of the net OPEB liability	0.06247950%	0.06444220%
School District's proportionate share of the net OPEB liability	$3,341,420	$2,514,297
School District's covered-employee payroll	$6,938,914	$7,070,343
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	48.2%	35.6%
Plan fiduciary net position as a percentage of the total OPEB liability	37.3%	47.1%
School Employees Retirement System		
School District's proportion of the net OPEB liability	0.07140490%	0.06760910%
School District's proportionate share of the net OPEB liability	$2,032,075	$1,814,451
School District's covered-employee payroll	$2,278,971	$2,100,000
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	89.2%	86.4%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.
Information not available prior to 2017.
See accompanying notes to the required supplementary information.

Northwest Local School District
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
State Teachers Retirement System										
Contractually required contribution - pension	$880,522	$942,518	$934,141	$954,095	$873,106	$894,623	$914,074	$971,448	$989,848	$1,012,887
Contractually required contribution - OPEB	67,732	72,501	71,857	73,392	67,162	68,817	0	0	0	0
Contractually required contribution - total	948,254	1,015,019	1,005,998	1,027,487	940,268	963,440	914,074	971,448	989,848	1,012,887
Contributions in relation to the contractually required contribution	948,254	1,015,019	1,005,998	1,027,487	940,268	963,440	914,074	971,448	989,848	1,012,887
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
School District's covered-employee payroll	$6,773,246	$7,250,138	$7,185,700	$7,339,192	$6,716,200	$6,881,715	$6,529,100	$6,938,914	$7,070,343	$7,234,907
Contributions as a percentage of covered-employee payroll - pension	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
School Employees Retirement System										
Contractually required contribution - pension	$167,370	$264,061	$337,095	$374,948	$404,655	$265,260	$299,155	$319,056	$294,000	$295,566
Contractually required contribution - OPEB (1)	70,758	8,971	38,349	15,332	4,678	2,679	18,612	0	0	10,947
Contractually required contribution - total	238,128	273,032	375,444	390,280	409,333	267,939	317,767	319,056	294,000	306,513
Contributions in relation to the contractually required contribution	238,128	273,032	375,444	390,280	409,333	267,939	317,767	319,056	294,000	306,513
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
School District's covered-employee payroll	$1,700,915	$1,950,229	$2,681,742	$2,787,717	$2,923,808	$1,913,853	$2,269,765	$2,278,971	$2,100,000	$2,111,186
Contributions as a percentage of covered-employee payroll - pension	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	4.16%	0.46%	1.43%	0.55%	0.16%	0.14%	0.82%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.
See accompanying notes to the required supplementary information.

State Teachers Retirement System

Pension

Changes in benefit terms

For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017.

Changes in assumptions

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.50 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered to 3.00 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

OPEB

Changes in benefit terms

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

Changes in assumptions

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

School Employees Retirement System

Pension

Changes in benefit terms

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percenter beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

Changes in assumptions

There were no changes in assumptions since the prior measurement date.

OPEB

Changes in benefit terms

There were no changes in benefit terms since the prior measurement date.

Changes in assumptions

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63.

NORTHWEST LOCAL SCHOOL DISTRICT

Schedule of Federal Awards Expenditures

For the Fiscal Year Ended June 30, 2018

Federal Grantor / Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Pass Through Amount	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture							
Passed Through Ohio Department of Education:							
Nutrition Cluster:							
School Breakfast Program	2017/2018	10.553	$0	$189,996	$0	$189,996	$0
National School Lunch Program	2017/2018	10.555	0	384,873	49,284	384,873	49,284
Total Nutrition Cluster			0	574,869	49,284	574,869	49,284
Total U.S. Department of Agriculture			0	574,869	49,284	574,869	49,284
U.S. Department of Education							
Passed Through Ohio Department of Education:							
Title I Cluster:							
Title I Grants to Local Educational Agencies	2018	84.010	0	449,947	0	475,575	0
Title I Grants to Local Educational Agencies	2017	84.010	0	122,913	0	95,040	0
Total Title I Cluster			0	572,860	0	570,615	0
Special Education Cluster:							
Special Education - Grants to States (IDEA Part B)	2018	84.027	0	336,035	0	364,442	0
Special Education - Grants to States (IDEA Part B)	2017	84.027	0	70,121	0	0	0
Total Special Education Cluster			0	406,156	0	364,442	0
Improving Teacher Quality	2018	84.367	0	73,596	0	81,343	0
Improving Teacher Quality	2017	84.367	0	30,388	0	25,323	0
Total Improving Teacher Quality			0	103,984	0	106,666	0
Rural Education	2018	84.358	0	17,219	0	20,089	0
Rural Education	2017	84.358	0	6,334	0	5,278	0
Total Rural Education			0	23,553	0	25,367	0
Student Support & Academic Enrichment	2018	84.424	0	6,032	0	12,782	0
Total Student Support & Academic Enrichment			0	6,032	0	12,782	0
Total U.S. Department of Education			0	1,112,585	0	1,079,872	0
Total Federal Financial Assistance			$0	$1,687,454	$49,284	$1,654,741	$49,284

NOTE A – <u>BASIS OF PRESENTATION</u>

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

NOTE B - <u>SIGNIFICANT ACCOUNTING POLICIES</u>

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

NOTE C - <u>CHILD NUTRITION CLUSTER</u>

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

NOTE D – <u>FOOD DONATION PROGRAM</u>

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

J.L. UHRIG
AND ASSOCIATES INC.
CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

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

Board of Education
Northwest Local School District
800 Mohawk Drive
McDermott, Ohio 45652

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Local School District (the School District), Scioto County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 13, 2018.

Internal Control over Financial Reporting

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

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

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

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740.775.8448 ~ Fax 740.775.8442

Compliance and Other Matters

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

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

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

December 13, 2018

J.L. UHRIG
AND ASSOCIATES INC.
CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

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

Board of Education
Northwest Local School District
800 Mohawk Drive
McDermott, Ohio 45652

Report on Compliance for Each Major Federal Program

We have audited the Northwest Local School District (the School District), Scioto County, compliance with the types of applicable requirements described in the U.S. Office of Management and Budget (OMB), *Compliance Supplement* that could directly and materially affect the School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material aspects, with the compliance requirements referred to above that could directly and materially affect its major federal program identified in the *Summary of Auditor's Results* in the accompanying schedule of findings for the year ended June 30, 2018.

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Report on Internal Control over Compliance

Management of Northwest Local School District is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the applicable requirements that could have a direct and material effect on the major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

J. L. Uhrig and Associates, Inc.

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

December 13, 2018

A. SUMMARY OF AUDITOR'S RESULTS

1.	***Type of Financial Statement Opinion***	Unmodified
2.	***Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?***	No
3.	***Were there any other significant internal control deficiency reported at the financial statement level (GAGAS)?***	No
4.	***Was there any material noncompliance reported at the financial statement level (GAGAS)?***	No
5.	***Were there any material internal control weaknesses reported for major federal programs?***	No
6.	***Were there any other significant internal control deficiency reported for major federal programs?***	No
7.	***Type of Major Programs' Compliance Opinion***	Unmodified
8.	***Are there any reportable findings under 2 CFR §200.516(a)?***	No
9.	***Major Programs (list):***	CFDA # 10.553/10.555 Nutrition Cluster
10.	***Dollar Threshold: Type A/B Programs***	Type A: >$750,000 Type B: All Other Programs
11.	***Low Risk Auditee under 2 CFR §200.520?***	Yes

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

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

C. FINDINGS FOR FEDERAL AWARDS

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

NORTHWEST LOCAL SCHOOL DISTRICT

SCIOTO 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 26, 2019