ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

OHIO AUDITOR OF STATE
KEITH FABER

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY

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ST.HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY

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INDEPENDENT AUDITOR'S REPORT

St. Henry Consolidated Local School District
Mercer County
391 East Columbus Street
St. Henry, Ohio 45883

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the St. Henry Consolidated Local School District, Mercer County, Ohio (the School District), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the St. Henry Consolidated Local School District, Mercer County, Ohio, as of June 30, 2018 and 2017, and the respective changes in cash financial position and budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2019, 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.

Keith Faber
Auditor of State
Columbus, Ohio

February 8, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In 2018, general receipts accounted for $9,722,459 or 85.78 percent of all receipts. Program specific receipts in the forms of charges for services and sales, operating grants, contributions and interest accounted for $1,612,225 or 14.22 percent of total receipts of $11,334,684.

- Total program disbursements in 2018 were $10,458,474.

- In 2018, net position increased $876,210 primarily due to receipts continuing to outpace cash disbursements.

Using this Annual Report

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

The statement of net position and the statement of activities provide information about the cash activities of the Government as a whole. Fund financial statements provide a greater level of detail. For governmental funds these statements present financial information by fund, presenting the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of St. Henry Consolidated Local School District, the General Fund is by far the most significant fund.

Basis of Accounting

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?". The Statement of Net Position and the Statement of Activities answers this question.

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

In the Statement of Net Position and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, capital outlay, extracurricular activities, debt service and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental 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 cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Reporting the District's Fiduciary Responsibilities

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

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

	Governmental Activities	
	2018	2017
Assets		
Equity in pooled cash and cash equivalents	$ 7,932,548	$ 7,056,338
Net Position		
Restricted for:		
Capital outlay	$ 237,678	$ 149,575
Debt service	628,991	607,159
Other purposes	349,774	274,143
Unrestricted	6,716,105	6,025,461
Total net position	$ 7,932,548	$ 7,056,338

Net position of the governmental activities increased $876,210, which represents a 12.42 percent increase from fiscal year 2017. The increase in cash and cash equivalents is due to receipts continuing to outpace cash disbursements.

A portion of the School District's net position, $1,216,443 or 15.33 percent, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of $6,716,105 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net position for fiscal year 2018 as compared to fiscal year 2017.

Table 2 - Change in Net Position

	Governmental Activities	
	2018	2017
Receipts:		
Program receipts:		
Charges for services and sales	$ 848,799	$ 855,006
Operating grants, contributions and interest	763,426	729,922
Total program reciepts	1,612,225	1,584,928
General receipts:		
Property taxes	3,948,372	3,917,145
Grants and entitlements not restricted to specific programs	5,611,545	5,732,550
Payments in lieu of taxes	22,771	15,761
Investment earnings	50,804	35,396
Miscellaneous	88,967	85,775
Total general reciepts	9,722,459	9,786,627
Total receipts	11,334,684	11,371,555

Table 2 - Change in Net Position - (Continued)

	Governmental Activities	
	2018	2017
Disbursements:		
Instruction:		
Regular	$ 5,187,380	$ 4,929,872
Special	1,425,220	1,473,519
Vocational	302,271	322,709
Support services:		
Pupil	259,023	241,768
Instructional staff	161,908	164,333
Board of education	19,766	21,515
Administration	708,489	705,017
Fiscal	301,573	311,087
Operations and maintenance	645,995	651,383
Pupil transportation	245,003	282,801
Central	1,832	1,400
Operation of non-instructional services:		
Food service operations	320,228	323,692
Community services	309	380
Extracurricular activities	506,802	476,346
Capital outlay	-	9,048
Debt service:		
Principal retirement	305,000	285,000
Interest and fiscal charges	67,675	83,513
Total disbursements	10,458,474	10,283,383
Change in net position	876,210	1,088,172
Net position at beginning of year	7,056,338	5,968,166
Net position at end of year	$ 7,932,548	$ 7,056,338

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3 - Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program Disbursements:				
Instruction:				
Regular	$ 5,187,380	$ 4,826,390	$ 4,929,872	$ 4,565,361
Special	1,425,220	904,964	1,473,519	978,475
Vocational	302,271	188,712	322,709	208,672
Support services:				
Pupil	259,023	259,023	241,768	234,042
Instructional staff	161,908	161,908	164,333	164,333
Board of education	19,766	19,766	21,515	21,515
Administration	708,489	708,489	705,017	705,017
Fiscal	301,573	301,573	311,087	311,087
Business				
Operations and maintenance	645,995	633,116	651,383	651,383
Pupil transportation	245,003	214,345	282,801	254,018
Central	1,832	1,832	1,400	1,400
Operations of non-instructional services				
Community services	309	309	380	380
Food service operations	320,228	(15,116)	323,692	(23,374)
Extracurricular	506,802	268,263	476,346	253,520
Capital outlay	-		9,048	4,113
Debt service				
Principal retirement	305,000	305,000	285,000	285,000
Interest and fiscal charges	67,675	67,675	83,513	83,513
Total	$ 10,458,474	$ 8,846,249	$ 10,283,383	$ 8,698,455

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 15.42 percent of all governmental expenses. Property taxes and grants and entitlements not restricted to specific purposes are the largest area of support for the School District students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's governmental funds reported a combined fund balance of $7,932,548, which is higher than the prior year balance of $7,056,338.

The general fund's fund balance increased $688,146 in 2018, primarily due to receipts outpacing cash disbursements.

General Fund Budgeting Highlights

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

During fiscal year 2018, the School District slightly modified its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original and final budget basis receipts were $9,794,724. Actual receipts were $56,196 more than the original and final budget, primarily due to more receipts collected for property taxes than anticipated.

For the general fund, original and final budget basis disbursements were $9,676,182. Actual disbursements of $9,136,681 were $539,501 lower than the final budget due to an overall overestimation of disbursements in all areas.

There were not significant variances to discuss within other financing sources and uses.

Debt Administration

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

Table 4 - Outstanding Debt

	Governmental Activities	
General Obligation Bonds:	2018	2017
2004 Refunding - School Improvement Refunding Bonds	$ 310,000	$ 465,000
2006 Refunding - School Improvement Refunding Bonds	765,000	915,000
Total	$ 1,075,000	$ 1,380,000

For further information regarding the School District's debt refer to Note 10 of the basic financial statements.

Current Issues

St. Henry Consolidated Local School District continued the strong stewardship of public funds in fiscal year 2018, resulting in the seventh consecutive year of revenue exceeding expenditures. The School District is proud of its community support of the school system. As the preceding information shows, the School District relies heavily on its local property tax. In May 2014, the Board of Education submitted an operating levy, which was approved by the residents. Securing the tax proceeds for the next five years stabilizes the necessary revenue source for operations.

Real estate and personal property tax collections have shown small increases each year during the past 30 years due to the unique nature of property tax law in Ohio. The overall receipts generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920, which was passed in 1976. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annual in property taxes. If three years later the home was reappraised and increased in value to $200,000, the effective tax rate would become 0.5 mills and the homeowner would still pay $35.00 in property taxes. This rollback of property millage does not increase tax collections, and therefore, created the need for school districts to routinely seek voter approval for operating funds.

The School District has also been affected by changes in the personal property tax structure (utility deregulation and gradual elimination of tangible personal property taxes) and commercial business property uncertainties. Management had diligently planned expenses so that the last levy collections will last longer than it was planned. This has been made increasingly difficult with legislative mandates in public education, rising student technology costs, increased special education services required for our students, and significant increases in health insurance premiums.

The School District is always concerned with state funding formulas, the resources available to the state, and the proportions allocated to education. On June 30, 2017 Governor Kasich signed the two-year budget for fiscal year 2017-2018 and fiscal year 2018-2019 into law. The budget changed very little from the previous school funding formula. The funding system will continue to calculate the main component of the formula, known as Core Opportunity Aid, using a per pupil amount times the ADM of the school district. The per pupil amounts are minimally increased from the fiscal year 2017 amount of $6,000 to $6,010 and $6,020 per pupil respectively for fiscal year 2018 and 2019. This allocation is then multiplied by a State Share index which is determined based on the school district's 3-year average valuation per pupil and median income compared to statewide averages.

St. Henry Schools continues to be funded on the "Guarantee" for both fiscal year 2018 and fiscal year 2019. This component of the State Budget guaranteed School Districts that they would not receive less state funding than they did during the prior biennial budget. Changes in the new budget formula included reductions in transportation funding for Districts with a State share index below 50% and reductions to the Guarantee Base for Districts with total ADM reductions above 5% between fiscal year 2014 and fiscal year 2016. Both of these changes will impact St. Henry Schools due to a loss of 6.7% ADM during that timeframe and an SSI of less than 50%. Due to continuous decrease in student enrollment and increase in property valuations, the School District would lose over $900,000 annually in state funding if the funding formula was applied. Future elimination or reduction of the Guarantee component of the State Budget would result in significant funding cuts to the School District.

Capacity Aid was also moved inside the cap calculation under the new budget formula. The Capacity Aid component is additional funding above the formula calculation on Core Opportunity Aid. This funding provides funding for school districts where the income generated for one mill of property tax is below the state median for what is generated. Capacity Aid funding helps offset the guarantee amount of St. Henry School District.

The administration continues to try to balance education needs and community interests with the resources made available. The challenge for all School Districts is to provide quality services to the public while staying within the restrictions imposed by limited and changing funding. Current operating trends indicate that with careful oversight the School District will have at least two months of operating cash on hand and be financially solvent for the foreseeable future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact: Jennifer Bruns, Treasurer/CFO, St. Henry Consolidated Local School District, 391 E. Columbus Street, St. Henry, Ohio 45883.

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ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . . .	$ 7,932,548
Total assets.	7,932,548
Net position:	
Restricted for:	
Capital improvements.	237,678
Debt service.	628,991
Classroom facilities maintenance	139,609
Food service operations	44,122
Extracurricular activities	152,589
Federally funded programs	160
Unclaimed monies.	1,222
Other purposes	12,072
Unrestricted	6,716,105
Total net position.	$ 7,932,548

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 5,187,380	$ 324,504	$ 36,486	$ (4,826,390)
Special	1,425,220	-	520,256	(904,964)
Vocational	302,271	-	113,559	(188,712)
Support services:				
Pupil	259,023	-	-	(259,023)
Instructional staff	161,908	-	-	(161,908)
Board of education	19,766	-	-	(19,766)
Administration	708,489	-	-	(708,489)
Fiscal	301,573	-	-	(301,573)
Operations and maintenance	645,995	10,780	2,099	(633,116)
Pupil transportation	245,003	17,972	12,686	(214,345)
Central	1,832	-	-	(1,832)
Operation of non-instructional services:				
Food service operations	320,228	257,004	78,340	15,116
Community services	309	-	-	(309)
Extracurricular activities	506,802	238,539	-	(268,263)
Debt service:				
Princpal retirement	305,000	-	-	(305,000)
Interest and fiscal charges	67,675	-	-	(67,675)
Total governmental activities	$ 10,458,474	$ 848,799	$ 763,426	(8,846,249)

General receipts:	
Property taxes levied for:	
General purposes	3,457,593
Debt service	334,105
Capital outlay	115,572
Building maintenance	41,102
Grants and entitlements not restricted to specific programs	5,611,545
Payments in lieu of taxes	22,771
Investment earnings	50,804
Miscellaneous	88,967
Total general receipts	9,722,459
Change in net position	876,210
Net position at beginning of year	7,056,338
Net position at end of year	$ 7,932,548

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents. . .	$ 6,717,327	$ 1,215,221	$ 7,932,548
Total assets	$ 6,717,327	$ 1,215,221	$ 7,932,548
Fund balances:			
Nonspendable:			
Unclaimed monies	1,222	-	1,222
Restricted:			
Capital improvements	-	237,678	237,678
Debt service	-	628,991	628,991
Classroom facilities maintenance	-	139,609	139,609
Food service operations	-	44,122	44,122
Extracurricular activities.	-	152,589	152,589
Federally funded programs.	-	160	160
Other purposes.	-	12,072	12,072
Assigned:			
Instruction	22,146	-	22,146
Support services	10,261	-	10,261
Adult education	1,978	-	1,978
Educational activities.	6,784	-	6,784
Extracurricular activities	49,404	-	49,404
Unassigned	6,625,532	-	6,625,532
Total fund balances	$ 6,717,327	$ 1,215,221	$ 7,932,548

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
Receipts:			
From local sources:			
Property taxes	$ 3,457,593	$ 490,779	$ 3,948,372
Payment in lieu of taxes	22,771	-	22,771
Tuition	212,920	-	212,920
Transportation fees	17,972	-	17,972
Earnings on investments	50,804	207	51,011
Charges for services	-	263,891	263,891
Extracurricular	55,955	182,584	238,539
Classroom materials and fees	111,584	-	111,584
Rental income	3,893	-	3,893
Contributions and donations	22,551	-	22,551
Miscellaneous	66,416	-	66,416
Intergovernmental - state	5,929,374	141,758	6,071,132
Intergovernmental - federal	-	303,632	303,632
Total receipts	9,951,833	1,382,851	11,334,684
Disbursements:			
Current:			
Instruction:			
Regular	5,012,740	174,640	5,187,380
Special	1,223,845	201,375	1,425,220
Vocational	297,923	4,348	302,271
Support services:			
Pupil	259,023	-	259,023
Instructional staff	161,908	-	161,908
Board of education	19,766	-	19,766
Administration	708,489	-	708,489
Fiscal	290,834	10,739	301,573
Operations and maintenance	604,196	41,799	645,995
Pupil transportation	245,003	-	245,003
Central	1,832	-	1,832
Operation of non-instructional services:			
Food service operations	-	320,228	320,228
Community services	309	-	309
Extracurricular activities	337,819	168,983	506,802
Debt service:			
Principal retirement	-	305,000	305,000
Interest and fiscal charges	-	67,675	67,675
Total disbursements	9,163,687	1,294,787	10,458,474
Excessof receipts over disbursements	788,146	88,064	876,210
Other financing sources (uses):			
Transfers in	-	100,000	100,000
Transfers (out)	(100,000)	-	(100,000)
Total other financing sources (uses)	(100,000)	100,000	-
Net change in fund balances	688,146	188,064	876,210
Fund balances at beginning of year	6,029,181	1,027,157	7,056,338
Fund balances at end of year	$ 6,717,327	$ 1,215,221	$ 7,932,548

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Receipts:				
From local sources:				
Property taxes	$ 3,372,265	$ 3,372,265	$ 3,457,593	$ 85,328
Payment in lieu of taxes	-	-	22,771	22,771
Tuition	200,000	200,000	212,920	12,920
Transportation fees	19,500	19,500	17,972	(1,528)
Earnings on investments	35,000	35,000	50,804	15,804
Classroom materials and fees	100,700	100,700	111,584	10,884
Rental income	4,000	4,000	3,893	(107)
Contributions and donations	21,500	21,500	22,551	1,051
Miscellaneous	40,000	40,000	21,458	(18,542)
Intergovernmental - state	6,001,759	6,001,759	5,929,374	(72,385)
Total revenues	9,794,724	9,794,724	9,850,920	56,196
Disbursements:				
Current:				
Instruction:				
Regular	5,168,676	5,153,676	5,033,622	120,054
Special	1,382,800	1,388,800	1,224,666	164,134
Vocational	354,207	355,207	298,368	56,839
Other	1,000	1,000	-	1,000
Support services:				
Pupil	262,700	262,700	251,036	11,664
Instructional staff	175,347	175,347	162,725	12,622
Board of education	25,500	25,500	19,766	5,734
Administration	741,700	744,700	708,489	36,211
Fiscal	315,500	317,500	290,834	26,666
Operations and maintenance	644,675	642,675	613,640	29,035
Pupil transportation	277,827	282,827	245,003	37,824
Central	2,050	2,050	1,832	218
Operation of non-instructional services:				
Community services	400	400	309	91
Extracurricular activities	323,800	323,800	286,391	37,409
Total disbursements	9,676,182	9,676,182	9,136,681	539,501
Excess of receipts over disbursements	118,542	118,542	714,239	595,697
Other financing sources (uses):				
Refund of prior year expenditures	10,000	10,000	39,045	29,045
Transfers (out)	-	(100,000)	(100,000)	-
Advances in	20,000	20,000	20,000	-
Advances (out)	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	10,000	(90,000)	(60,955)	29,045
Net change in fund balance	128,542	28,542	653,284	624,742
Fund balance at beginning of year	5,917,468	5,917,468	5,917,468	-
Prior year encumbrances appropriated	54,780	54,780	54,780	-
Fund balance at end of year	$ 6,100,790	$ 6,000,790	$ 6,625,532	$ 624,742

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency
Assets:	
Equity in pooled cash and cash equivalents.	$ 46,997
Cash and cash equivalents in segregated accounts . .	3,548
Total assets.	$ 50,545
Net position:	
Held for employees.	249
Held for student activities	50,296
Total net position.	$ 50,545

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CASH BASIS - FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	$ 2,000
Total additions.	2,000
Deductions:	
Payments in accordance with trust agreements. . .	2,000
Change in net position	-
Net position at beginning of year.	-
Net position at end of year	$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The reporting entity is composed of the primary government and other organizations that are included to ensure the financial statements of the School District 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 the St. Henry Consolidated 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. There are no component units of the St. Henry Consolidated Local School District.

The School District is associated with three jointly governed organizations, three insurance purchasing pools and a joint venture. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Northwestern Ohio Educational Research Council, Inc., the Metropolitan Educational Council, the Southwestern Ohio Educational Purchasing Council, the Mercer-Auglaize Employee Benefit Trust (formerly the Mercer-Auglaize Area Schools Regional Council of Governments), the Ohio School Plan and the Tri-Star Career Compact. These organizations are presented in Notes 12, 13, and 14 to the basic financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.A., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

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

A. Basis of Accounting

Although Ohio Administrative Code Sections 117-2-03(B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

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

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation - Fund Accounting

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Position presents the cash-basis financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

Fund Financial Statements

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

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

The School District uses funds to maintain its financial records during the fiscal year. Each fund is accounted for by providing a separate set of self-balancing accounts. Funds are organized into two major categories: governmental and fiduciary.

The funds of the School District are described below:

Governmental Funds

Governmental funds are those financed through which most governmental functions of the School District are financed. The following is the School District's major fund:

General Fund - The General Fund is the primary operating fund of the School District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include a private purpose trust fund and agency funds. The School District's private purpose trust fund accounts scholarships for students. Agency funds are custodial in nature (assets equal net pension). The School District's agency funds account for various student-managed activities, flex spending accounts and employee paid portions of insurance.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the object code level for the General Fund, and at the fund level for all other funds. Any budgetary modification at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Mercer County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected receipts of each fund. Prior to July 1, the School District must revise its budget so that the total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District Treasurer.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the object level for expenditures of the General Fund, and at the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter object appropriations within the General Fund, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

D. 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. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” in the basic financial statements. The School District has reported “Cash and Cash Equivalents in Segregated Accounts” for an employee flex account.

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. Investments with an original maturity of more than three months that are not made from the pool are reported as “Investments”.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Total interest receipts credited to the General Fund during fiscal year 2018 were $50,804, which included $8,126 assigned from other School District funds.

During fiscal year 2018, the School District’s investments were limited to nonnegotiable certificates of deposit (CDs) and funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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.

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

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 $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

E. Capital Assets

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

F. Accumulated Leave

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

G. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds are not reported as liabilities on the cash basis financial statements. Debt proceeds are reported as cash is received and payment of principal and interest are reported as disbursements when paid.

H. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants are recorded as receipts when the grant is received.

I. Inventory and Prepaid Items

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

J. Interfund Receivables/Payables

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

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

L. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net 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.

M. Equity Classifications

Government-Wide Statements

Equity is classified as net position, and displayed in separate components:

a. Restricted net position - consists of net position, with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net position - all other net position that does not meet the definition of "restricted".

Net position restricted for other purposes include resources restricted for other grants restricted for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

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

a. Nonspendable **-** The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

b. 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.

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

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

d. Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

N. Interfund Transactions

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

Transfers within governmental activities are eliminated on the government-wide financial statements.

O. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, and operating grants, contributions and interest. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plan (buildings), pupil transportation, extracurricular activities, debt service, and food service operation.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2018, the School District has implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*" GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 86, "*Certain Debt Extinguishments*".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the School District's postemployment benefit plan disclosures, as presented in Note 9 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

B. Compliance

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 2 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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio).

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed forty percent of the interim monies available for investment at any one time;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of 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 securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon the receipt of confirmation of transfer from the custodian.

Deposits

At June 30, 2018, the carrying amount of all School District deposits was $6,713,940 and the bank balance of all School District deposits was $6,734,270. Of the bank balance, $500,000 was covered by the FDIC and $6,234,270 was collateralized by pledged collateral held by a financial institution in the District's name.

Custodial credit risk 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. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) 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 (2) participation in the 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 reduced rate set by the Treasurer of State.

At June 30, 2018, the School District had $1,060 undeposited cash on hand included in equity in pooled cash and investments.

Investments

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

		Maturity
Investment type	Measurement Amount	6 months or less
STAR Ohio	$ 1,268,093	$ 1,268,093

<u>*Credit Risk*</u> - STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAm by Standard & Poor's.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk - The School District places no limit on the amount that may invested in any one issuer. During the fiscal year, the School District's only investment was in STAR Ohio.

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2018 represent the collection 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 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advance to the School District their portion of the taxes collected. Second-half real property tax payments collected by the counties 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.

NOTE 5 - PROPERTY TAXES - (Continued)

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

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 135,091,700	97.64	$ 139,697,870	97.58
Public utility personal	3,260,860	2.36	3,471,570	2.42
Total	$ 138,352,560	100.00	$ 143,169,440	100.00
Tax rate per $1,000 of assessed valuation	$35.51		$34.91	

NOTE 6 - PAYMENTS IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District, which reflect all or a portion of the property taxes, which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for the fiscal year 2018 amounted to $22,771.

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with the Ohio School Plan for the following insurance coverage:

Buildings and Contents - Replacement Cost	$45,338,026
Automobile Liability	5,000,000
Underinsured Motorists	1,000,000
General Liability:	
Per Occurrence	5,000,000
Aggregate	7,000,000
Legal Liability	5,000,000
Umbrella Liability	7,000,000

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

For fiscal year 2018, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. See Note 13 for more information about the Ohio School Plan.

NOTE 7 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 2018, the School District contracted with CompManagement., a third party workers' compensation claims administrator. CompManagement is responsible for evaluating and processing workers' compensation claims in a timely manner.

C. Health Care Benefits

The School District participated in the Mercer-Auglaize Area Schools Regional Council of Governments (the "Council") and the Mercer-Auglaize Employee Benefit Trust (the "Trust") during fiscal year 2018. The Council dissolved in April 2018, at which time the School District became a participant in the Trust. The Trust is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Council for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. See Note 13 for more information about the Council and the Trust.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The 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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for 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 of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $144,157 for fiscal year 2018.

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was $616,661 for fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an 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 projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.03203610%	0.03898681%	
Proportion of the net pension liability current measurement date	0.03174560%	0.03973092%	
Change in proportionate share	-0.00029050%	0.00074411%	
Proportionate share of the net pension liability	$ 1,896,729	$ 9,438,165	$ 11,334,894

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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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 disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years for the period after disability retirement.

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

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

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 2,632,168	$ 1,896,729	$ 1,280,650

Actuarial Assumptions - STRS Ohio

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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 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	$ 13,529,289	$ 9,438,165	$ 5,992,007

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 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 $17,925.

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 $23,264 for fiscal year 2018.

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

Net OPEB Liability

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

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.03228550%	0.03973092%	
Proportion of the net OPEB liability current measurement date	0.03228550%	0.03973092%	
Change in proportionate share	0.00000000%	0.00000000%	
Proportionate share of the net OPEB liability	$ 866,458	$ 1,550,154	$ 2,416,612

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.

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	$ 1,046,358	$ 866,458	$ 723,931

	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	$ 703,066	$ 866,458	$ 1,082,710

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.

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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.

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 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	$ 2,081,057	$ 1,550,154	$ 1,130,567

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$ 1,076,980	$ 1,550,154	$ 2,172,905

NOTE 10 - LONG-TERM OBLIGATIONS

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

General Long-Term Obligations	Balance 6/30/17	Increases	Decreases	Balance 6/30/18	Amount Due in One Year
General Obligations Bonds:					
2006 School Improvement Refunding Current Interest Bonds - 3.75% - 5.755	$ 915,000	$ -	$ (150,000)	$ 765,000	$ 160,000
2004 School Improvement Refunding Bonds - 2.30% - 5.50%	465,000	-	(155,000)	310,000	160,000
Total General Long-Term Obligations	$ 1,380,000	$ -	$ (305,000)	$ 1,075,000	$ 320,000

2006 School Improvement Refunding General Obligation Bonds

On September 14, 2006, the School District issued $1,514,998 in general obligation bonds for the purpose of refunding outstanding general obligation bonds originally issued in 2000 for construction and improvement to the School District's building and structures. The refunding bond issue included current interest and capital appreciation bonds, in the amount of $1,200,000, and $315,000, respectively. The bonds are being retired from the Bond Retirement debt service fund, a nonmajor governmental fund.

The net proceeds of the refunding were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds. As a result, $1,515,000 of the 2000 School Improvement general obligation bonds are considered to be defeased and the liability for those bonds was removed from the School District's long-term obligations.

The School District lowered its aggregated debt service payments by $124,856 over the next fifteen years and obtained an economic gain (difference between the present values of the old and new deb service payments) of $68,924.

The current interest bonds maturing on December 1, 2019, and December 1, 2022, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, starting on December 1, 2006 and on each December 1 thereafter.

2004 School Improvement Refunding General Obligation Bonds

On December 1, 2004, the School District issued $1,749,999 in general obligation bonds for the purpose of refunding outstanding general obligation bonds originally issued for construction and improvement to the School District's building and structures. The refunding bond issue included current interest and capital appreciation bonds, in the amount of $1,740,000, and $9,999, respectively. The bonds are being retired from the Bond Retirement debt service fund, a nonmajor governmental fund.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The current interest bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, starting on December 1, 2005 and on each December 1 thereafter. Unless previously redeemed, the remaining principal amount of $150,000 for the Current Interest Bond maturing in year 2019 shall be paid at stated maturity.

The term bonds maturing on or after December 1, 2015, are subject to optional redemption, in whole or in part on any date, in inverse order by maturity and by lot with a maturity, in integral multiples of $5,000, at the option of the School District on or after December 1, 2014, at the redemption prices of 100 percent of the principal amount plus accrued interest.

The capital appreciation bonds matured in fiscal year 2014 and were not subject to redemption prior to maturity. The maturity amount of the bonds was $140,000.

Future Debt Requirements

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2018 were as follows:

	2006 School Improvement Bonds			2004 School Improvement Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
2019	$ 160,000	$ 39,388	$ 199,388	$ 160,000	$ 11,500	$ 171,500
2020	165,000	30,044	195,044	150,000	3,750	153,750
2021	175,000	20,269	195,269	-	-	-
2022	185,000	9,919	194,919	-	-	-
2023	80,000	2,300	82,300	-	-	-
Total	$ 765,000	$ 101,920	$ 866,920	$ 310,000	$ 15,250	$ 325,250

NOTE 11 - STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to ser aside money for budget stabilization. For fiscal year 2018, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year-end.

The following cash basis information identifies the changes in fund balance reserves for capital acquisition and budget stabilization during fiscal year 2018.

NOTE 11 - STATUTORY RESERVES - (Continued)

	Capital Acquisition	Budget Stabilization
Set-aside balance June 30, 2017	$ -	$ 19,755
Current year set-aside requirement	166,363	-
Current year offsets	(176,044)	-
Total	$ (9,681)	$ 19,755
Balance carried forward to fiscal year 2019	$ -	$ 19,755
Set-aside reserve balance, June 30, 2018	$ -	$ 19,755

Although the School District had offsets during the year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. The NOACSC is an Information Technology Center (ITC) Cooperative organized as a Regional Council of Governments or COG. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert and Wood counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of NOACSC consists of fourteen superintendents and treasurers who are employed by member schools within the computer consortium. Financial information can be obtained from Ray Burden, who serves as Director, at 4277 East Road, Elida, Ohio 45807.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (the “NOERC”) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training.

The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from Gene Linton, 121 W. Main St., Ashland, Ohio 44805.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

Metropolitan Educational Council (Purchasing Consortium)

The Metropolitan Educational Council (the "MEC") is a consortium of school districts and related agencies in the greater central Ohio area. The primary mission of the MEC shall be to contribute to the educational services made available to the youth and adults by the cooperative action of the membership. MEC shall identify, plan and provide to its members services that can be more effectively achieved by cooperative endeavors.

The Governing Board consists of a superintendent, one representative from each participating school district in Franklin County, and one representative from each county outside of Franklin County. The MEC serves a twenty-seven county area in central Ohio and has over two hundred members. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Metropolitan Educational Council, 2100 Citygate Dr., Columbus, Ohio 43219.

NOTE 13 - GROUP PURCHASING POOLS

Southwestern Ohio Educational Purchasing Council (SOEPC)

The SOEPC is a purchasing council made up of over one hundred forty schools in seventeen counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All members are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member has one voting representative. Title to any and all equipment, furniture, and supplies purchased by the SOEPC is held in trust for the member. Any member withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, Director, 303 Corporate Center Drive Suite 208, Vandalia, Ohio 45377.

Mercer-Auglaize Area Schools Regional Council of Governments

The School District was a participant of the Mercer-Auglaize Area Schools Regional Council of Governments (the "Council") during fiscal year 2018, until its dissolution in April 2018. The Council was reorganized as the Mercer-Auglaize Employee Benefit Trust. The Council was a public entity shared risk pool consisting of of eleven local school districts and two educational service centers. The Council was organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provided medical, prescription drug, and dental benefits to the employees of the participants. New member public school districts may be admitted with a two-thirds vote of the Board. Withdrawing members deposited or accounted for terminal liabilities as provided for in the Master Plan adopted by the Council, trust agreement and/or minimum premium insurance contract. A withdrawing member district forfeited any right to monies held in the trust reserve fund. Any member public school district could withdraw from the Council by providing all other members and the insurance provider or third party administrator written notice of his intent. Said withdrawal was allowed only upon expiration of the insurance contract rating period and was to be effective ninety days after said written notice was received by the acting Board Chairman and the provider. Financial information can be obtained from Steven Dandurand, Corporate One Benefits, Suite 200, Fostoria, Ohio 44830.

NOTE 13 - GROUP PURCHASING POOLS - (Continued)

Mercer-Auglaize Employee Benefit Trust

The Mercer-Auglaize Employee Benefit Trust (the "Trust") is a public entity shared risk pool consisting of of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, prescription drug, and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee, which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee is extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Steven Dandurand, Corporate One Benefits, Suite 200, Fostoria, Ohio 44830.

Ohio School Plan

The School District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, a member of the Stolly Insurance Group, and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's adminstrator and is responsible for processing claims. Stolly Insurance Group serves as the sales and marketing respresentative which established agreements between the Plan and its members. Financial information can be obtained from the Stolly Insurance Group, 1730 Allentown Road, Lima, Ohio 45805.

NOTE 14 - JOINT VENTURE

Tri-Star Career Compact

The School District participates in the Tri-Star Career Compact (the "Compact"), a joint venture with eight other school districts. The eight participating school districts comprise a "qualifying partnership" as defined by Ohio Revised Code Section 3318.71. The purpose of the Compact is to establish and maintain a career technical education program in accordance with standards adopted by the State Board of Education.

The joint venture is served by an advisory council consisting of two representatives each from the St. Marys City School District, the Celina City School District, and the Coldwater Exempted Village School District, three members representing the local school districts in Auglaize County (Minster, New Bremen and New Knoxville), and three members representing the local school districts in Mercer County (Fort Recovery, Marion, and St. Henry). Members serve terms of two years. The advisory council serves at the discretion of the Boards of Education of the participating school districts and is not responsible to serve the electorate in any legal capacity.

NOTE 14 - JOINT VENTURE - (Continued)

In fiscal year 2016, the joint venture issued $16,999,987 in classroom facilities bonds to acquire classroom facilities. The bonds are a general obligation of the "qualifying partnership". The bonds have an interest rate ranging from 2 percent to 4.2 percent and mature in fiscal year 2032. The bonds will be repaid from the resources of a property tax levied by the qualifying partnership and the qualifying partnership is obligated to pay all debt service on the bonds. If the proceeds of the tax collection are less than anticipated in any particular year resulting in insufficient resources to pay the principal and interest requirements of the bonds, the school districts making up the partnership are obligated to make up the amount of any shortfall.

In addition, each participating school district is required to contribute a service fee and a reserve capital fee for each participating student from their school district and may incur excess costs for operations of the Compact.

The joint venture has not currently accumulated significant financial resources not is the joint venture experiencing fiscal stress that would cause an additional financial benefit to or burden on the participants; however, all participants have an ongoing financial responsibility as outlined above. Financial information may be obtained from the Celina City School District who serves as fiscal agent for the joint venture.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Other Commitments

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

Fund	Year-End Encumbrances
General	$ 34,539
Nonmajor governmental	14,281
Total	$ 48,820

NOTE 15 - CONTINGENCIES - (Continued)

D. School District Funding

The School District's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. The School District owed $636 to ODE as a result of the fiscal year 2018 FTE reviews.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

The Statement of Receipts, Disbursements and Changes in Cash Fund Balance - Budget and Actual (Budget Basis), presented for the General Fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budget basis and the cash basis are that:

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

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the General Fund is as follows:

Net Change in Fund Balance	
Budget basis	$ 653,284
Funds budgeted elsewhere**	2,455
Adjustment for encumbrances	32,407
Cash basis	$ 688,146

** As part of GASB Statement No. 54, Fund Balance Reporting, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash-basis. This includes the Adult Education, Special Rotary, Public School Support and Unclaimed Monies funds.

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- In 2017, general receipts accounted for $9,786,627 or 86 percent of all receipts. Program specific receipts in the form of charges for services and sales, operating grants, contributions and interest accounted for $1,584,928 or 14 percent of total receipts of $11,371,555.

- Total program disbursements in 2017 were $10,283,383.

- In 2017, net position increased $1,088,172 primarily due to receipts continuing to outpace cash disbursements.

Using this Annual Report

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

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole. Fund financial statements provide a greater level of detail. For governmental funds these statements present financial information by fund, presenting the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the St. Henry Consolidated Local School District, the General Fund is by far the most significant fund.

Basis of Accounting

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, capital outlay, extracurricular activities, debt service, and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 60. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental 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 a cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Reporting the District's Fiduciary Responsibilities

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

The School District as a Whole

Table 1 provides a summary of the School District's net position for 2017 compared to 2016:

(Table 1)
Net Position

	Governmental Activities	
	2017	2016
Assets		
Equity in Pooled Cash and Cash Equivalents	$ 7,056,338	$ 5,968,166
Total Assets	7,056,338	5,968,166
Net Position		
Restricted for:		
Capital Outlay	149,575	106,138
Debt Service	607,159	542,317
Other Purposes	274,143	157,771
Unrestricted	6,025,461	5,161,940
Total Net Position	$ 7,056,338	$ 5,968,166

Net position of the governmental activities increased $1,088,172, which represents a 18 percent increase from fiscal year 2016. The increase in cash and cash equivalents is due to receipts continuing to outpace cash disbursements.

A portion of the School District's net position, $1,030,877 or 15 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of $6,025,461 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net position for fiscal year 2017 as compared to fiscal year 2016.

(Table 2)
Change in Net Position

	Governmental Activities	
	2017	2016
Receipts		
Program Receipts		
Charges for Services and Sales	$ 855,006	$ 896,778
Operating Grants, Contributions and Interest	729,922	722,406
Total Program Receipts	1,584,928	1,619,184
General Receipts		
Property Taxes	3,917,145	3,805,301
Grants and Entitlements not Restricted to Specific Programs	5,732,550	5,729,196
Payments in Lieu of Taxes	15,761	38,197
Proceeds from Sale of Assets	0	10,272
Investment Earnings	35,396	29,918
Miscellaneous	85,775	52,438
Total General Receipts	9,786,627	9,665,322
Total Receipts	11,371,555	11,284,506
Program Disbursements		
Instruction:		
Regular	4,929,872	4,824,889
Special	1,473,519	1,554,419
Vocational	322,709	281,809
Support Services:		
Pupils	241,768	241,970
Instructional Staff	164,333	159,130
Board of Education	21,515	20,718
Administration	705,017	728,929
Fiscal	311,087	321,128
Operation and Maintenance of Plant	651,383	586,653
Pupil Transportation	282,801	182,260
Central	1,400	1,809
Operation of Non-Instructional Services:		
Food Service Operations	323,692	315,963
Community Services	380	0
Extracurricular Activities	476,346	628,619
Capital Outlay	9,048	84,441
Debt Service:		
Principal Retirement	285,000	244,722
Interest and Fiscal Charges	83,513	149,941
Total Program Disbursements	10,283,383	10,327,400
Change in Net Position	1,088,172	957,106
Net Position Beginning of Year	5,968,166	5,011,060
Net Position End of Year	$ 7,056,338	$ 5,968,166

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities

	Total Costs of Services		Net Costs of Services	
	2017	2016	2017	2016
Program Disbursements				
Instruction:				
Regular	$ 4,929,872	$ 4,824,889	$ 4,565,361	$ 4,587,134
Special	1,473,519	1,554,419	978,475	1,063,156
Vocational	322,709	281,809	208,672	159,341
Support Services:				
Pupils	241,768	241,970	234,042	241,970
Instructional Staff	164,333	159,130	164,333	159,130
Board of Education	21,515	20,718	21,515	20,718
Administration	705,017	728,929	705,017	728,929
Fiscal	311,087	321,128	311,087	321,128
Operation and Maintenance of Plant	651,383	586,653	651,383	586,653
Pupil Transportation	282,801	182,260	254,018	153,447
Central	1,400	1,809	1,400	1,809
Operation of Non-Instructional Services:				
Food Service Operations	323,692	315,963	(23,374)	(31,212)
Community Services	380	0	380	0
Extracurricular Activities	476,346	628,619	253,520	242,736
Capital Outlay	9,048	84,441	4,113	78,614
Debt Service:				
Principal Retirement	285,000	244,722	285,000	244,722
Interest and Fiscal Charges	83,513	149,941	83,513	149,941
Total	$ 10,283,383	$ 10,327,400	$ 8,698,455	$ 8,708,216

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 15 percent of all governmental expenses. Property taxes and grants and entitlements not restricted to specific purposes are the largest area of support for the School District students.

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of $7,056,338, which is higher than the prior year balance of $5,968,166.

The general fund's fund balance increased $867,241 in 2017, primarily due to receipts outpacing cash disbursements.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District slightly modified its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original and final budget basis receipts were $9,892,402. Actual receipts were $45,695 less than the final budget, primarily due to an overestimation of intergovernmental receipts.

For the general fund, original and final budget basis disbursements were $9,336,971. Actual disbursements, of $9,084,208 were $252,763 lower than the final budget due to an overall overestimation of disbursements.

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

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2017 and 2016.

(Table 4)
Outstanding Debt

	Governmental Activities	
	2017	2016
2004 Refunding - Current Interest Bonds	$ 465,000	$ 610,000
2006 Refunding - Current Interest and Capital Appreciation Bonds	915,000	1,055,000
Total	$ 1,380,000	$ 1,665,000

For further information regarding the School District's debt, refer to Note 9 of the basic financial statements.

Current Issues

St. Henry Consolidated Local School District continued the strong stewardship of public funds in fiscal year 2017, resulting in the sixth consecutive year of revenue exceeding expenditures. The School District is proud of its community support of the school system. As the proceeding information shows, the School District relies heavily on its local property tax. In May 2014, the Board of Education submitted an operating levy, which was approved by the residents. Securing the tax proceeds for the next five years stabilizes the necessary revenue source for operations.

Real estate and personal property tax collections have shown small increases each year during the past 30 years due to the unique nature of property tax law in Ohio. The overall receipts generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920, which was passed in 1976. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annual in property taxes. If three years later the home was reappraised and increased in value to $200,000, the effective tax rate would become 0.5 mills and the homeowner would still pay $35.00 in property taxes. This rollback of property millage does not increase tax collections, and therefore, created the need for school districts to routinely seek voter approval for operating funds.

The School District has also been affected by changes in the personal property tax structure (utility deregulation and gradual elimination of tangible personal property taxes) and commercial business property uncertainties. Management had diligently planned expenses so that the last levy collections will last longer than it was planned. This has been made increasingly difficult with legislative mandates in public education, rising student technology costs, increased special education services required for our students, and significant increases in health insurance premiums.

The School District is always concerned with state funding formulas, the resources available to the state, and the proportions allocated to education. On June 30, 2017 Governor Kasich signed the two year budget for fiscal year 2017-2018 and fiscal year 2018-2019 into law. The budget changed very little from the previous school funding formula. The funding system will continue to calculate the main component of the formula, known as Core Opportunity Aid, using a per pupil amount times the ADM of the school district. The per pupil amounts are minimally increased from the fiscal year 2017 amount of $6,000 to $6,010 and $6,020 per pupil respectively for fiscal year 2018 and 2019. This allocation is then multiplied by a State Share index which is determined based on the school district's 3 year average valuation per pupil and median income compared to statewide averages.

St. Henry Schools continues to be funded on the "Guarantee" for both fiscal year 2018 and fiscal year 2019. This component of the State Budget guaranteed School Districts that they would not receive less state funding than they did during the prior biennial budget. Changes in the new budget formula included reductions in transportation funding for Districts with a State share index below 50% and reductions to the Guarantee Base for Districts with total ADM reductions above 5% between fiscal year 2014 and fiscal year 2016. Both of these changes will impact St. Henry Schools due to a loss of 6.7% ADM during that timeframe and a SSI of less than 50%. Due to continuous decrease in student enrollment and increase in property valuations, the School District would lose over $400,000 annually in state funding if the funding formula was applied. Future elimination or reduction of the Guarantee component of the State Budget would result in significant funding cuts to the School District.

Capacity Aid was also moved inside the cap calculation under the new budget formula. The Capacity Aid component is additional funding above the formula calculation on Core Opportunity Aid. This funding provides funding for school districts where the income generated for one mill of property tax is below the state median for what is generated. Capacity Aid funding helps offset the guarantee amount of St. Henry School District.

The administration continues to try to balance education needs and community interests with the resources made available. The challenge for all School Districts is to provide quality services to the public while staying within the restrictions imposed by limited and changing funding. Current operating trends indicate that with careful oversight the School District will have at least two months of operating cash on hand and be financially solvent for the foreseeable future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Jennifer Bruns, Treasurer/CFO, St. Henry Consolidated Local School District, 391 E. Columbus Street, St. Henry, Ohio 45883.

St. Henry Consolidated Local School District
Mercer County, Ohio
Statement of Net Position - Cash Basis
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$ 7,056,338
Total Assets	7,056,338
Net Position	
Restricted for:	
Capital Outlay	149,575
Debt Service	607,159
Other Purposes	274,143
Unrestricted	6,025,461
Total Net Position	$ 7,056,338

See accompanying notes to the basic financial statements.

St. Henry Consolidated Local School District
Mercer County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2017

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$ 4,929,872	$ 341,100	$ 23,411	$ (4,565,361)
Special	1,473,519	0	495,044	(978,475)
Vocational	322,709	0	114,037	(208,672)
Support Services:				
Pupils	241,768	0	7,726	(234,042)
Instructional Staff	164,333	0	0	(164,333)
Board of Education	21,515	0	0	(21,515)
Administration	705,017	0	0	(705,017)
Fiscal	311,087	0	0	(311,087)
Operation and Maintenance of Plant	651,383	0	0	(651,383)
Pupil Transportation	282,801	20,890	7,893	(254,018)
Central	1,400	0	0	(1,400)
Operation of Non-Instructional Services:				
Food Service Operations	323,692	270,190	76,876	23,374
Community Services	380	0	0	(380)
Extracurricular Activities	476,346	222,826	0	(253,520)
Capital Outlay	9,048	0	4,935	(4,113)
Debt Service:				
Principal Retirement	285,000	0	0	(285,000)
Interest and Fiscal Charges	83,513	0	0	(83,513)
Totals	$ 10,283,383	$ 855,006	$ 729,922	(8,698,455)

General Receipts	
Property Taxes Levied for:	
General Purposes	3,393,178
Debt Service	369,947
Capital Outlay	113,550
Building Maintenance	40,470
Grants and Entitlements not Restricted to Specific Programs	5,732,550
Payments in Lieu of Taxes	15,761
Investment Earnings	35,396
Miscellaneous	85,775
Total General Receipts	9,786,627
Change in Net Position	1,088,172
Net Position Beginning of Year	5,968,166
Net Position End of Year	$ 7,056,338

See accompanying notes to the basic financial statements.

St. Henry Consolidated Local School District
Mercer County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	$ 6,029,181	$ 1,027,157	$ 7,056,338
Total Assets	$ 6,029,181	$ 1,027,157	$ 7,056,338
Fund Balances			
Nonspendable	$ 3,720	$ 0	$ 3,720
Restricted	0	1,027,157	1,027,157
Committed	27,133	0	27,133
Assigned	80,862	0	80,862
Unassigned	5,917,466	0	5,917,466
Total Fund Balances	$ 6,029,181	$ 1,027,157	$ 7,056,338

See accompanying notes to the basic financial statements.

St. Henry Consolidated Local School District
Mercer County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	$ 3,393,178	$ 523,967	$ 3,917,145
Intergovernmental	5,985,803	454,231	6,440,034
Investment Income	35,396	157	35,553
Tuition and Fees	357,824	0	357,824
Extracurricular Activities	46,329	176,497	222,826
Gifts and Donations	22,280	0	22,280
Charges for Services	0	270,189	270,189
Payments in Lieu of Taxes	15,761	0	15,761
Rent	4,168	0	4,168
Miscellaneous	83,623	2,152	85,775
Total Receipts	9,944,362	1,427,193	11,371,555
Disbursements			
Current:			
Instruction:			
Regular	4,908,722	21,150	4,929,872
Special	1,258,233	215,286	1,473,519
Vocational	318,513	4,196	322,709
Support Services:			
Pupils	239,268	2,500	241,768
Instructional Staff	164,333	0	164,333
Board of Education	21,515	0	21,515
Administration	705,017	0	705,017
Fiscal	299,049	12,038	311,087
Operation and Maintenance of Plant	588,133	63,250	651,383
Pupil Transportation	242,801	40,000	282,801
Central	1,400	0	1,400
Extracurricular Activities	329,757	146,589	476,346
Operation of Non-Instructional Services:			
Food Service Operations	0	323,692	323,692
Community Services	380	0	380
Capital Outlay	0	9,048	9,048
Debt Service:			
Principal Retirement	0	285,000	285,000
Interest and Fiscal Charges	0	83,513	83,513
Total Disbursements	9,077,121	1,206,262	10,283,383
Excess of Receipts Over (Under) Disbursements	867,241	220,931	1,088,172
Net Change in Fund Balances	867,241	220,931	1,088,172
Fund Balances Beginning of Year	5,161,940	806,226	5,968,166
Fund Balances End of Year	$ 6,029,181	$ 1,027,157	$ 7,056,338

See accompanying notes to the basic financial statements.

St. Henry Consolidated Local School District
Mercer County, Ohio
Statement of Receipts, Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Receipts				
Property and Other Local Taxes	$ 3,376,983	$ 3,376,983	$ 3,393,178	$ 16,195
Intergovernmental	6,149,219	6,149,219	5,985,803	(163,416)
Investment Income	33,000	33,000	35,396	2,396
Tuition and Fees	268,200	268,200	357,824	89,624
Gifts and Donations	5,000	5,000	22,280	17,280
Payments in Lieu of Taxes	0	0	15,761	15,761
Rent	5,000	5,000	4,168	(832)
Miscellaneous	55,000	55,000	32,297	(22,703)
Total Receipts	9,892,402	9,892,402	9,846,707	(45,695)
Disbursements				
Current:				
Instruction:				
Regular	4,967,625	4,967,625	4,926,246	41,379
Special	1,349,787	1,349,787	1,258,233	91,554
Vocational	338,360	338,360	324,395	13,965
Other	1,000	1,000	0	1,000
Support Services:				
Pupils	257,011	257,011	235,557	21,454
Instructional Staff	171,205	171,205	164,755	6,450
Board of Education	24,000	24,000	21,515	2,485
Administration	729,219	729,219	705,017	24,202
Fiscal	315,734	315,734	300,799	14,935
Operation and Maintenance of Plant	632,509	632,509	588,133	44,376
Pupil Transportation	258,671	258,671	271,953	(13,282)
Central	2,100	2,100	1,450	650
Extracurricular Activities	289,350	289,350	285,775	3,575
Operation of Non-Instructional Services:				
Community Services	400	400	380	20
Total Disbursements	9,336,971	9,336,971	9,084,208	252,763
Excess of Receipts Over (Under) Disbursements	555,431	555,431	762,499	207,068
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	500	500	0	(500)
Refund of Prior Year Expenditures	12,000	12,000	43,598	31,598
Advances In	20,000	20,000	0	(20,000)
Advances Out	(20,000)	(20,000)	0	20,000
Total Other Financing Sources (Uses)	12,500	12,500	43,598	31,098
Net Change in Fund Balance	567,931	567,931	806,097	238,166
Fund Balance Beginning of Year	5,088,381	5,088,381	5,088,381	0
Prior Year Encumbrances Appropriated	22,990	22,990	22,990	0
Fund Balance End of Year	$ 5,679,302	$ 5,679,302	$ 5,917,468	$ 238,166

See accompanying notes to the basic financial statements.

St. Henry Consolidated Local School District
Mercer County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2017

		Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$	52,556
Cash and Cash Equivalents in Segregated Accounts		4,212
Total Assets	$	56,768
Net Position		
Held for Employees	$	4,070
Held for Student Activities		52,698
Total Net Position	$	56,768

See accompanying notes to the basic financial statements.

St. Henry Consolidated Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

		Scholarship
Additions		
Gifts and Contributions	$	1,000
Deductions		
Payments in Accordance with Trust Agreements		1,000
Change in Net Position		0
Net Position Beginning of Year		0
Net Position End of Year	$	0

See accompanying notes to the basic financial statements.

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

St. Henry Consolidated 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 in Mercer and Darke Counties as authorized by state statute and/or federal guidelines.

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For St. Henry Consolidated 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. There are no component units of the St. Henry Consolidated Local School District.

The School District is associated with four jointly governed organizations, three insurance purchasing pools and a joint venture. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the Northwestern Ohio Educational Research Council, Inc., the Metropolitan Educational Council, the Southwestern Ohio Educational Purchasing Council, the Mercer-Auglaize Area Schools Regional Council of Governments, the Ohio School Plan and the Tri-Star Career Compact. These organizations are presented in Notes 12, 13 and 14 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

Although Ohio Administrative Code Sections 117-2-03(B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

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

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation - Fund Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District 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 disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

FUND FINANCIAL STATEMENTS

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

The School District uses funds to maintain its financial records during the fiscal year. Each fund is accounted for by providing a separate set of self-balancing accounts. Funds are organized into two major categories: governmental and fiduciary.

The funds of the financial reporting entity are described below:

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. The following is the School District's major governmental fund:

> General Fund – The General Fund is the primary operating fund of the School District and, is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include a private purpose trust fund and agency funds. The School District’s private purpose trust fund accounts for scholarships for students. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The School District’s agency funds include various student-managed activities, flex spending accounts and employee paid portions of insurance.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object code level for the General Fund, and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Mercer County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected receipts of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District Treasurer.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the object level for expenditures of the General Fund, and at the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, alter object appropriations within General fund, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as a restricted or assigned fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. 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. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

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. Investments with an original maturity of more than three months that are not made from the pool are reported as "Investments".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Total interest receipts credited to the General Fund during fiscal year 2017 were $35,396, of which $5,591 was assigned from other funds.

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

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

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District's treasury.

E. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

F. Accumulated Leave

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

G. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities on the cash basis financial statements. The debt proceeds are reported as cash is received and payment of principal and interest are reported as disbursements when paid.

H. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants are recorded as receipts when the grant is received.

I. Inventory and Prepaid Items

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

J. Interfund Receivables/Payables

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

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Pensions

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

M. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position, and displayed in separate components:

a. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net position – All other net position that do not meet the definition of "restricted."

Net position restricted for other purposes include resources restricted for public school support programs, athletic programs, classroom facilities and maintenance tax levy, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes at which both restricted and unrestricted net position is available.

FUND FINANCIAL STATEMENTS

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

a. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

b. 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.

c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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.

d. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

The School District first applies restricted resources when an expenditure is 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 can be used.

N. Interfund Transactions

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

Transfers within governmental activities are eliminated on the government-wide financial statements.

O. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, and operating grants, contributions and interest. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plan (buildings), pupil transportation, extracurricular activities, debt service, and food service operations.

P. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2017, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.*

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 3 - 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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.
Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed forty percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of 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 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. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trusted by the financial institution as security for repayment; or by a collateral pool of eligible securities deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was $6,110,533 and the bank balance was $6,119,412. Of the bank balance, $250,000 was covered by federal depository insurance and $5,869,412 was collateralized but uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2017, the School District had $1,060 undeposited cash on hand included in equity in pooled cash and cash equivalents.

Investments

As of June 30, 2017, the School District had the following investments:

Investment Type	Measurement Amount	Maturity (in Months) 0 - 12	Percent of Total
STAR Ohio	$ 1,001,513	$ 1,001,513	100%

Credit Risk STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2017, is 46 days and carries a rating of AAAm by S&P Global Ratings.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. During the fiscal year, the School District's only investment was in STAR Ohio.

Interest Rate Risk The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Custodial Credit Risk For an investment, custodial risk is that risk that, in the event of the failure of the counterparty, the School District will no longer be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2016 Second-Half Collections		2017 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$ 139,594,900	97.7%	$ 135,091,700	97.6%
Public Utility Personal Property	3,274,140	2.3%	3,260,860	2.4%
Total Assessed Value	$ 142,869,040	100.0%	$ 138,352,560	100.0%
Full Tax Rate per $1,000				
of assessed valuation - Mercer County	$35.91		$35.71	
- Darke County	$35.71		$35.51	

NOTE 5 – PAYMENTS IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District, which reflect all or a portion of the property taxes, which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for the fiscal year 2017 amounted to $15,761.

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with the Ohio School Plan for the following insurance coverage:

Buildings and Contents - Replacement Cost	$44,668,007
Automobile Liability	5,000,000
Underinsured Motorists	1,000,000
General Liability:	
Per Occurrence	5,000,000
Aggregate	7,000,000
Legal Liability	5,000,000
Umbrella Liability	7,000,000

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

For fiscal year 2017, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. See Note 13 for more information about the Ohio School Plan.

B. Workers' Compensation

For fiscal year 2017, the School District contracted with CompManagement., a third party workers' compensation claims administrator. CompManagement is responsible for evaluating and processing workers' compensation claims in a timely manner.

C. Health Care Benefits

The School District participates in the Mercer-Auglaize Area Schools Regional Council of Governments (Council), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Council for employee medical and dental insurance coverage. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council of Governments, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a 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 year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District's contractually required contribution to SERS was $162,312 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

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

The School District's contractually required contribution to STRS was $602,472 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of July 1 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability is based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 13,050,060	$ 2,344,747	$ 15,394,807
Proportion of the Net Pension Liability:			
Current Measurement Date	0.03898681%	0.03203610%	
Prior Measurement Date	0.03848637%	0.03353330%	
Change in Proportionate Share	0.00050044%	-0.00149720%	

Actuarial Assumptions - SERS

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

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

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

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

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

Mortality rates 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 actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The discount rate, assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability and mortality rates were also updated to more closely reflect actual experience.

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 3,104,299	$ 2,344,747	$ 1,708,970

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$ 17,342,470	$ 13,050,060	$ 9,429,160

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

NOTE 8: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was $23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was $15,750.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was $11,685. The full amount has been contributed for fiscal year 2015.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

NOTE 9 – LONG-TERM OBLIGATIONS

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

General Long-Term Obligations	Interest Rates	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Due Within One Year
2006 School Improvement						
Refunding Current Interest Bonds	3.75-5.75%	$ 1,055,000	$ 0	$ 140,000	$ 915,000	$ 150,000
2004 School Improvement						
Refunding Bonds	2.3-5.5%	610,000	0	145,000	465,000	155,000
Total General Long-Term Obligations		$ 1,665,000	$ 0	$ 285,000	$ 1,380,000	$ 305,000

2006 School Improvement Refunding General Obligation Bonds - On September 14, 2006, the School District issued $1,514,998 in general obligation bonds for the purpose of refunding outstanding general obligation bonds originally issued in 2000 for construction and improvement to the School District's buildings and structures. The refunding bond issue included current interest and capital appreciation bonds, in the amount of $1,200,000, and $315,000, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The net proceeds of the refunding were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds. As a result, $1,515,000 of 2000 School Improvement general obligation bonds are considered to be defeased and the liability for those bonds was removed from the School District's long-term obligations.

The School District lowered its aggregated debt service payments by $124,856 over the next fifteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $68,924.

The current interest bonds maturing on December 1, 2017, December 1, 2019, and December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, starting on December 1, 2006 and on each December 1 thereafter.

2004 School Improvement Refunding General Obligation Bonds - On December 1, 2004, the School District issued $1,749,999 in general obligation bonds for the purpose of refunding outstanding general obligation bonds originally issued for construction and improvement to the School District's buildings and structures. The refunding bond issue included current interest and capital appreciation bonds, in the amount of $1,740,000, and $9,999, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The current interest bonds maturing on December 1, 2016 and December 1, 2019, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, starting on December 1, 2005 and on each December 1 thereafter. Unless previously redeemed, the remaining principal amount of $145,000 for the Current Interest Bond that matured in 2016 and $150,000 for the Current Interest Bond maturing in year 2019 shall be paid at stated maturity.

The term bonds maturing on or after December 1, 2015, are subject to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of $5,000, at the option of the School District on or after December 1, 2014, at the redemption prices of 100 percent of the principal amount plus accrued interest.

The capital appreciation bonds matured in fiscal year 2014 and were not subject to redemption prior to maturity. The maturity amount of the bonds was $140,000.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017, were as follows:

	2004 Bonds	2006 Bonds		
Fiscal Year June 30,	Serial and Term Bonds	Serial and Term Bonds	Total Interest	Total
2018	$ 155,000	$ 150,000	$ 67,675	$ 372,675
2019	160,000	160,000	50,888	370,888
2020	150,000	165,000	33,794	348,794
2021	0	175,000	20,269	195,269
2022	0	185,000	9,919	194,919
2023	0	80,000	2,300	82,300
	$ 465,000	$ 915,000	$ 184,845	$ 1,564,845

NOTE 10 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on major and all other governmental fund balances are presented below:

	General	Other Governmental	Total Governmental
Nonspendable:			
Unclaimed Monies	$ 3,720	$ 0	$ 3,720
Total Nonspendable	3,720	0	3,720
Restricted for:			
Capital Improvements	0	149,575	149,575
Debt Service	0	607,159	607,159
Classroom Maintenance	0	90,043	90,043
Food Service Operations	0	28,601	28,601
Extracurricular Activities	0	138,988	138,988
Other Purposes	0	12,791	12,791
Total Restricted	0	1,027,157	1,027,157
Committed to:			
Support Services	27,133	0	27,133
Total Committed	27,133	0	27,133
Assigned for:			
Instruction	23,408	0	23,408
Support Services	4,241	0	4,241
Adult Education	1,978	0	1,978
Educational Activities	6,358	0	6,358
Extracurricular Activities	44,877	0	44,877
Total Assigned	80,862	0	80,862
Unassigned	5,917,466	0	5,917,466
Total Fund Balance	**$ 6,029,181**	**$ 1,027,157**	**$ 7,056,338**

NOTE 11 - STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2017, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year-end.

The following cash basis information identifies the changes in the fund balance reserves for capital improvements and budget stabilization during fiscal year 2017.

	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance June 30, 2016	$ 0	$ 19,755
Current Year Set Aside Requirement	161,369	0
Current Year Offsets	(173,156)	0
Total	$ (11,787)	$ 19,755
Balance Carried Forward to Fiscal Year 2018	$ 0	$ 0
Set Aside Reserve Balance June 30, 2017	$ 0	$ 19,755

Although the School District had offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative **-** The School District is participant in the Northwest Ohio Area Computer Services Cooperative (the "NOACSC") which is a computer consortium. The NOACSC is an Information Technology Center (ITC) Cooperative organized as a Regional Council of Governments or COG. NOACSC is an association of fifty-two public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Lucas, Paulding, Putnam, Seneca, Van Wert and Wood Counties. The organization was formed for the purposes of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among the member school districts. The governing board of NOACSC consists of fourteen superintendents and treasurers who are employed by member schools within the computer consortium. Financial information can be obtained from Ray Burden, who serves as Director, 4277 East Road, Elida Ohio 45807.

Mercer County Local Professional Development Committee **-** The School District is a participant in the Mercer County Local Professional Development Committee (the "Committee"), which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by an eleven-member board made up of six teachers, two principals, one superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822. Mercer County LPDC was dissolved as a COG in June 2017.

Northwestern Ohio Educational Research Council, Inc. **-** The Northwestern Ohio Educational Research Council, Inc. (the "NOERC") is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training.

The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Gene Linton, 121 W. Main St., Ashland, Ohio 44805.

Metropolitan Educational Council (Purchasing Consortium) **-** The Metropolitan Educational Council (the "MEC") is a consortium of school districts and related agencies in the greater central Ohio area. The primary mission of the council shall be to contribute to the educational services made available to the youth and adults by the cooperative action of the membership. MEC shall identify, plan and provide to its members services that can be more effectively achieved by cooperative endeavors.

The governing board consists of a superintendent, one representative from each participating school district in Franklin County, and one representative from each county outside Franklin County. The MEC serves a twenty-seven county area in central Ohio and has over 200 members. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Metropolitan Educational Council, 2100 Citygate Dr., Columbus, OH 43219.

NOTE 13 - GROUP PURCHASING POOL

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council ("SOEPC") is a purchasing council made up of 148 public school districts in 17 counties in southwestern Ohio. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary from withdrawal from the group. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swick, who serves as director, 303 Corporate Center, Suite 209, Vandalia, Ohio 45377.

Mercer-Auglaize Area Schools Regional Council of Governments
The Mercer-Auglaize Area Schools Regional Council of Governments, (the "Council") is established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code. The Council is established to provide employee welfare benefits as described in Section 501(c)(9) of the Internal Revenue Code for the benefit of employees of the member public school districts of the Council. The Council is a shared risk pool as defined by Government Accounting Standards Board (GASB) Statement No. 10 as amended by GASB Statement No. 30. It was formed to carry out a cooperative program for the provisions and administration of health, prescription drug and dental benefits for member public school district employees in accordance with the Council's constitution and bylaws.

The Council is governed by a Council Governing Board (the "Board") consisting of the superintendent of each member public school district or his/her designee. The Board is authorized to enter into agreements as deemed necessary to provide welfare benefit plans to the member public school districts. The Council consists of member public school districts. The Council's current membership consists of eleven local school districts and two educational service centers. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

Ohio School Plan
The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, a member of the Stolly Insurance Group, and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Stolly Insurance Group serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from the Stolly Insurance Group, 1730 Allentown Road, Lima, OH 45805.

NOTE 14 – JOINT VENTURE

The School District participates in the Tri-Star Career Compact, a joint venture with eight other school districts. The eight participating school districts comprise a "qualifying partnership" as defined by Ohio Revised Code Section 3318.71. The purpose of the Compact is to establish and maintain a career technical education program in accordance with standards adopted by the State Board of Education.

The joint venture is served by an advisory council consisting of two representatives each from the St. Marys City School District, the Celina City School District, and the Coldwater Exempted Village School District, three members representing the local school districts in Auglaize County (Minster, New Bremen, and New Knoxville), and three members representing the local school districts in Mercer County (Fort Recovery, Marion, and St. Henry). Members serve terms of two years. The advisory council serves at the discretion of the Boards of Education of the participating school districts and is not responsible to serve the electorate in any legal capacity.

In fiscal year 2016, the joint venture issued $16,999,987 in classroom facilities bonds to acquire classroom facilities. The bonds are a general obligation of the "qualifying partnership". The bonds have an interest rate ranging from 2 percent to 4.2 percent and mature in fiscal year 2032. The bonds will be repaid from the resources of a property tax levied by the qualifying partnership and the qualifying partnership is obligated to pay all debt service on the bonds. If the proceeds of the tax collection are less than anticipated in any particular year resulting in insufficient resources to pay the principal and interest requirements of the bonds, the school districts making up the partnership are obligated to make up the amount of any shortfall.

In addition, each participating school district is required to contribute a service fee and a reserve capital fee for each participating student from their school district and may also incur excess costs for operations of the Tri-Star Career Compact.

The joint venture has not currently accumulated significant financial resources nor is the joint venture experiencing fiscal stress that would cause an additional financial benefit to or burden on the participants; however, all participants have an ongoing financial responsibility as outlined above. Financial information may be obtained from the Celina City School District who serves as fiscal agent for the joint venture.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Other Commitments

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

Fund	Amount
General	$ 57,538
Other Governmental	86,980
	$ 144,518

D. Contractual Commitments

At June 30, 2017, the School District had the following outstanding contractual commitments:

Project	Vendor	Contract Amount	Amount Paid	Amount Remaining
Sealcoat Parking Lots	Mercer Asphalt & Sealcoat	$ 12,450	$ 0	$ 12,450
Exterior Brick Cleaning	Wellman Brothers	16,400	0	16,400
Ford Van	Walt Swaney Ford Automotive	27,252	0	27,252
Total		$ 56,102	$ 0	$ 56,102

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments disclosed in this note.

E. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As a result of fiscal year end 2017 reviews the School District is due $381 from ODE.

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in cash basis fund balance – budget and actual (Budget Basis), presented for the general fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:
(a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,

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

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

Net Change in Fund Balance

	General Fund
Cash basis	$ 867,241
Funds budgeted elsewhere**	(6,364)
Adjustment for encumbrances	(54,780)
Budget Basis	$ 806,097

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes adult education, special rotary, public school support and unclaimed monies funds.

NOTE 17 – COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2017, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

St. Henry Consolidated Local School District
Mercer County
391 East Columbus Street
St. Henry, Ohio 45883

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the St. Henry Consolidated Local School District, Mercer County, (the School District) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 8, 2019, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274
www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

School District's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

February 8, 2019

SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017

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

FINDING NUMBER 2018-001

Noncompliance – Failure to File GAAP

Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal years 2018 and 2017 that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position and disclosures that, while presumed material, cannot be determined at this time. Pursuant to **Ohio Rev. Code § 117.38**, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District did not file GAAP statements in fiscal years 2018 and 2017.

Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows of resources, fund equity/net position and the disclosures required to accurately and completely present the School District's financial condition.

Official's Response:

The School District has elected to prepare the annual financial statements on the cash basis which incorporates the reporting format required by the Governmental Accounting Standards Board Statement No. 34. The School District does not believe the inclusion of accruals reported under Generally Accepted Accounting Principles adds significant value to the presentation of the statements to justify the additional expense required with preparation and audit of such statements.

St. Henry Consolidated Local School District
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Gail Hess
Paul Moorman
Brad Nerderman
Josh Schmackers

Central Office:

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Superintendent
Extension: 2100

Jennifer Bruns
Treasurer
Extension: 2104

Thomas Marchal
Technology Coordinator
Extension: 2106

Principals:

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Eric Rosenbeck
419-678-4834
Extension: 2200

Middle School
Kyle Kunk
419-678-4834
Extension: 2300

Elementary School
Adam Puthoff
419-678-4834
Extension: 2400

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 117.38 & Ohio Admin. Code § 117-2-03(B) – Failed to Prepared financial statements in accordance with GAAP. This was first reported for the fiscal years ended June 30, 2005 and 2004	Not Corrected	Repeated as Finding 2018-001

"Enter to Learn - Leave to Serve"

OHIO AUDITOR OF STATE
KEITH FABER

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT

MERCER 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
MARCH 12, 2019