

313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market Street, Suite 300  
Wheeling, WV 26003  
304.232.1358



**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY  
Single Audit  
For the Fiscal Year Ended June 30, 2017**

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- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

Board of Education  
Graham Local School District  
7790 West US Highway 36  
St. Paris, Ohio 43072

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

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

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

Dave Yost  
Auditor of State

November 16, 2017

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**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

October 6, 2017

Graham Local School District  
Champaign County  
7790 West US Highway 36  
St. Paris, OH 43072

To the Board of Education:

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

We have audited the accompanying financial statements of **Graham Local School District**, Champaign County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the 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 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

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***Basis for Adverse Opinion***

As described in Note 2 of the financial statements, the School District prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

***Adverse Opinion***

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position and results of operations of the Graham Local School District as of and for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

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

Because of the significance of the matter described in the *Basis for Adverse Opinion* paragraph, it is inappropriate to express and we do not express an opinion on the supplementary information referred to above.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
<b>REVENUES:</b>					
Property and Other Local Taxes	\$ 5,094,008	\$ 84,148	\$ 1,169,708	\$ 231,171	\$ 6,579,035
Intergovernmental	11,457,910	1,252,181	255,103	31,650	12,996,844
Interest	65,982	6,151	-	153	72,286
Tuition and Fees	1,113,753	-	-	-	1,113,753
Rent	15,974	-	-	-	15,974
Extracurricular Activities	35,933	356,156	-	-	392,089
Gifts and Donations	-	29,299	-	-	29,299
Customer Sales and Services	-	293,260	-	-	293,260
Payments in Lieu of Taxes	5,379	-	-	-	5,379
Miscellaneous	181,529	3,651	-	-	185,180
<i>Total Revenues</i>	<u>17,970,468</u>	<u>2,024,846</u>	<u>1,424,811</u>	<u>262,974</u>	<u>21,683,099</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	6,580,493	50,158	-	-	6,630,651
Special	2,732,611	294,945	-	-	3,027,556
Other	1,542,047	-	-	-	1,542,047
Support Services:					
Pupils	797,454	516,869	-	-	1,314,323
Instructional Staff	587,911	166,269	-	-	754,180
Board of Education	250,470	-	-	-	250,470
Administration	1,323,968	-	-	-	1,323,968
Fiscal	438,507	2,251	31,523	6,146	478,427
Business	122,149	-	-	-	122,149
Operation and Maintenance of Plant	1,465,944	227,002	-	92,281	1,785,227
Pupil Transportation	1,264,812	-	-	171,124	1,435,936
Central	292,997	-	-	-	292,997
Operation of Non-Instructional/Shared Services	78,746	687,196	-	-	765,942
Extracurricular Activities	314,343	207,907	-	-	522,250
Capital Outlay	-	-	-	65,306	65,306
Debt Service:					
Principal	70,139	-	955,000	-	1,025,139
Interest	13,816	-	351,233	-	365,049
<i>Total Expenditures</i>	<u>17,876,407</u>	<u>2,152,597</u>	<u>1,337,756</u>	<u>334,857</u>	<u>21,701,617</u>
Excess of Revenues Over (Under) Expenditures	<u>94,061</u>	<u>(127,751)</u>	<u>87,055</u>	<u>(71,883)</u>	<u>(18,518)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Sale of Fixed Assets	-	-	-	29,965	29,965
Transfers In	-	55,000	-	-	55,000
Advances In	8,716	-	-	-	8,716
Refund of Prior Year Expenditures	28,187	-	-	-	28,187
Transfers Out	-	-	-	(55,000)	(55,000)
Advances Out	-	(8,716)	-	-	(8,716)
<i>Total Other Financing Sources and Uses</i>	<u>36,903</u>	<u>46,284</u>	<u>-</u>	<u>(25,035)</u>	<u>58,152</u>
Net Change in Fund Balances	130,964	(81,467)	87,055	(96,918)	39,634
Fund Balance (Deficit) at Beginning of Year	<u>5,883,596</u>	<u>1,019,877</u>	<u>1,563,573</u>	<u>246,646</u>	<u>8,713,692</u>
Fund Balance (Deficit) at End of Year	<u>\$ 6,014,560</u>	<u>\$ 938,410</u>	<u>\$ 1,650,628</u>	<u>\$ 149,728</u>	<u>\$ 8,753,326</u>

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

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<b>Scholarship Private Purpose Trust Funds</b>	<b>Agency Funds</b>	<b>Total (Memorandum Only)</b>
<b>Operating Cash Receipts</b>			
Gifts and Contributions	\$ 4,806	\$ -	\$ 4,806
Interest	542	-	542
Miscellaneous	300	49,086	49,386
Total Operating Cash Receipts	<u>5,648</u>	<u>49,086</u>	<u>54,734</u>
<b>Operating Cash Disbursements</b>			
Payments in Accordance With Trust Agreements	10,000	-	10,000
Other Expenditures	-	57,308	57,308
Total Operating Cash Disbursements	<u>10,000</u>	<u>57,308</u>	<u>67,308</u>
Net Change in Fund Balances	(4,352)	(8,222)	(12,574)
Fund Balance (Deficit) at Beginning of Year	<u>146,817</u>	<u>45,573</u>	<u>192,390</u>
Fund Balance (Deficit) at End of Year	<u>\$ 142,465</u>	<u>\$ 37,351</u>	<u>\$ 179,816</u>

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

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

Graham Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio. The School District operates under a locally elected, five-member Board of Education (Board) to provide educational and other services as required and permitted by the laws and regulations of the State of Ohio and United States of America.

The School District was established in 1955 through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 189 square miles. It is located in Champaign and Shelby Counties, and includes all of the Villages of Christiansburg, Rosewood, and St. Paris, and portions of Adams, Concord, Harrison, Jackson, Johnson, and Mad River Townships. The School District is staffed by 99 classified employees, 130 certified teaching personnel, and 12 administrative employees who provide services to 1,920 students and other community members. The School District currently operates 3 instructional buildings and a transportation/maintenance building.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the School District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

**A. The Reporting Entity**

**Reporting Entity:** A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Graham Local School District, this includes general operations, food service, student guidance, extracurricular activities, educational media, care and upkeep of grounds and buildings, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has assumed 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 levying of taxes or the issuance of debt for the organization.

Based upon the application of these criteria, the School District has no component units.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Jointly Governed Organizations:** The School District is associated with four jointly governed organizations, two insurance purchasing pools and a related organization. These organizations are presented in Notes 13, 14 and 15 to the basic financial statements. These organizations are:

**Jointly Governed Organizations:**

Ohio Hi-Point Joint Vocational School  
Western Ohio Computer Organization  
Southwestern Ohio Education Purchasing Council  
Southwestern Ohio Instructional Technology Association

**Insurance Purchasing Pool:**

Southwestern Ohio Educational Purchasing Council (EPC) Health Insurance Plan  
OASBO/OSBA Workers' Compensation Group Rating Plan - Ohio SchoolComp

**Related Organization:**

St. Paris Public Library

**B. Fund Accounting**

The School District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories: governmental and fiduciary.

**1. Governmental Fund Types**

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

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

**Special Revenue Funds** – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund** – This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

**Capital Projects Funds** – The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Fiduciary Fund Types**

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 agency and trust funds.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities 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.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources.

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is included in the cash balances reported by fund type.

**F. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Accumulated Leave**

In certain circumstances; such as, upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

**H. 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 post-retirement health care benefits.

**I. Long-Term Obligations**

The School District's cash basis does not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure is reported at inception.

**J. 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 and after non-operating receipts/cash disbursements in fiduciary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are presented in the financial statements as advances.

**K. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. COMPLIANCE**

Ohio Administrative Code, §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 regulatory 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 assets/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.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits**

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. At June 30, 2017, \$802,797 of the School District's bank balance of \$3,068,390 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**B. Investments**

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

<u>Investment Type</u>	<u>Value</u>
Star Ohio	\$ 6,112,752

**5. BUDGETARY ACTIVITY**

Budgetary activity for the year ending June 30, 2017:

<b>2017 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 17,710,990	\$ 17,998,655	\$ 287,665
Special Revenue	2,153,938	2,079,846	(74,092)
Debt Service	1,502,018	1,424,811	(77,207)
Capital Projects	293,831	292,939	(892)
Private Purpose Trust	5,648	5,648	-
Agency	55,851	49,086	(6,765)
Total	\$ 21,722,276	\$ 21,850,985	\$ 128,709

<b>2017 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 18,164,816	\$ 18,079,113	\$ 85,703
Special Revenue	2,192,337	2,183,764	8,573
Debt Service	1,397,033	1,337,755	59,278
Capital Projects	410,123	389,857	20,266
Private Purpose Trust	11,030	10,000	1,030
Agency	59,650	58,169	1,481
Total	\$ 22,234,989	\$ 22,058,658	\$ 176,331



**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**5. BUDGETARY ACTIVITY (Continued)**

The District did not budget advances. Advances in and advances out are not required to be budgeted, since they represent a cash flow resource and are intended to be repaid.

**6. 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 and public utility property located in the School District. Real property tax receipts received in calendar years 2017 and 2016 represent the collection of calendar years 2016 and 2015 taxes. Real property taxes received in calendar years 2017 and 2016 were levied after April 1, 2016 and 2015, on the assessed values as of January 1, 2016 and 2015, respectively, 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 years 2017 and 2016 represent the collection of calendar years 2016 and 2015 taxes, respectively. Public utility real and tangible personal property taxes received in calendar years 2017 and 2016 became a lien on December 31, 2015 and 2014, respectively, were levied after April 1, 2016 and 2015, 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 Champaign and Shelby Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2017 and 2016 are available to finance fiscal years 2017 and 2016 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
<b>Real Property:</b>				
Agricultural/Residential	\$251,593,220	91.77%	\$267,799,910	92.11%
Industrial/Commercial	15,467,500	5.64%	15,507,570	5.33%
Public Utility Real Land	69,050	0.03%	70,530	0.02%
Public Utility Property	7,034,460	2.57%	7,349,790	2.53%
Total Assessed Value	<u>274,164,230</u>	100.00%	<u>290,727,800</u>	100.00%
Tax Rate per \$1,000 of assessed valuation	<u>\$34.00</u>		<u>\$33.60</u>	

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**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 2017, Trident is the School District's carrier for property and fleet insurance, liability insurance, crime and automobile coverage.

Property, including building, contents, extra expense, business interruption, mobile equipment, valuable papers, fine art, accounts receivable, EDP, inland marine, and auto physical damage.	\$78,642,091
Crime and employee dishonesty (each and every loss)	\$100,000
<b>Liability:</b>	
General and employee benefits liability per occurrence	\$1,000,000 \$3,000,000
Aggregate annual total	
Automobile, school board legal and employer and sexual abuse/molestation liability	\$1,000,000
Auto medical payments (per person)	\$5,000
Excess Liability (umbrella) per occurrence and aggregate limit	\$1,000,000

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

**B. Workers' Compensation**

The School District participates in the Ohio Association of School Business Officials (OASBO)/Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program titled Ohio SchoolComp (the "Program"), an insurance purchasing pool. The Program's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Program. Each year, the participating School Districts pay an enrollment fee to the Program to cover the costs of administering the Program. The intent of the Program is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Program.

The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. CompManagement provides administrative, cost control and actuarial services to the Program.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2017, 13.21% and 0.05% of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS's Retirement Board up to a statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2017, 2016, and 2015 were \$370,806, \$348,884, and \$310,154 respectively; 82.80% has been contributed for fiscal year 2017, 100% for 2016 and 100% for 2015.

**B. State Teachers Retirement System of Ohio**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org), under "Publications."

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 9.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**GRAHAM LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For the fiscal year 2017, plan members were required to contribute 14% of their annual covered salaries. The School District was required to contribute 14% which was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2017, 2016, and 2015, were \$1,077,994, \$1,044,646, and \$1,007,614; 83.20% has been contributed for fiscal year 2017, 100% for 2016 and 100% for 2015.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2017, one member of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**9. POST-EMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS).

**A. School Employees Retirement System**

The School Employees Retirement System (SERS) administers two postemployment benefit plans, Medicare Part B and Health Care Plans. The SERS Retirement Board establishes 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. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/Auditor Resources. State statute permits SERS to fund the health care benefits through employer contributions.

Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contributions of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2017, 0.00% of covered payroll was allocated to health care. However, employers do pay a surcharge for employees earning less than an actuarially determined amount to the Health Care Fund; for 2017, this amount was \$23,500.

**GRAHAM LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

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.

The amount of the School District's contributions to SERS allocated to the Health Care Plan for the years ended June 30, 2017, 2016, and 2015 were \$44,254, \$44,118, and \$59,713, respectively; 99.45% has been contributed fiscal year 2017, 100% for 2016, and 100% for 2015.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2017, this actuarially required allocation was 0.74% of covered payroll.

The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2017, 2016, and 2015 were \$20,772, \$19,544, and \$18,524, respectively; 82.80% has been contributed for fiscal year 2017, 100% for 2016, and 100% for 2015.

**B. State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Effective July 1, 2015, 0% of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the year ended June 30, 2015 was \$68,778 and 100% has been contributed for fiscal year for 2015.

**10. DEBT**

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

On May 1, 1998, the School District issued \$7,735,000 in voted general obligation bonds for construction, improvement, and renovation of school facilities. The bond issue included serial, term, and capital appreciation bonds in the amount of \$3,840,000, \$3,660,000, and \$235,000, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2021. The bonds are being retired from the debt service fund. The capital appreciation bonds matured in fiscal years 2013 and 2014. The maturity amount of the capital appreciation bonds was \$800,000.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**10. DEBT (Continued)**

	<u>Amount Outstanding 6/30/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amount Outstanding 6/30/17</u>	<u>Due in One Year</u>
<b>General Obligation Bonds:</b>					
Serial and Term Bonds - 2005	\$ 2,330,000	\$ -	\$ 475,000	\$ 1,855,000	\$ 495,000
Energy Conservation Limited Tax Bonds - 2012 (1%-2.25%)	470,000	-	40,000	430,000	40,000
Energy Conservation Limited Tax Bonds - 2012 Discount	(2,022)	-	-	(2,022)	257
<b>School Improvement Unlimited Tax General Obligation Refunding Bonds:</b>					
Current Interest Bonds (CIB) - 2012 (1%-2.35%)	6,960,000	-	395,000	6,565,000	430,000
Premium Capital Appreciation Bonds (CAB) - 2012 (2.175%-2.5%)	490,000	-	-	490,000	-
Current Interest Bonds (CIB) - 2013 (1%-3.5%)	3,850,000	-	85,000	3,765,000	85,000
Premium Capital Appreciation Bonds (CAB) - 2013 (3.54%-3.6%)	340,000	-	-	340,000	-
CIB - 2012 Premium	46,788	-	9,523	37,265	20,240
CAB - 2012 Premium	1,315,685	-	-	1,315,685	-
CIB - 2013 Premium	145,364	-	1,594	143,770	1,394
CAB - 2013 Premium	580,712	-	-	580,712	-
<b>Capital Lease Debt</b>	126,000	-	30,000	96,000	31,000
<b>Total</b>	<u>\$ 16,652,527</u>	<u>\$ -</u>	<u>\$ 1,036,117</u>	<u>\$ 15,616,410</u>	<u>\$ 1,102,891</u>

During fiscal year 2006, the School District issued \$17,235,000 of general obligation bonds to refinance \$13,575,000 in bond anticipation notes and to advance refund \$3,660,000 of the 1998 school facilities issue. These bonds include serial, term and capital appreciation bonds. The capital appreciation bonds matured in fiscal years 2015 and 2016. The maturity amount of the capital appreciation bonds was \$775,000.

On October 24, 2012, the School District issued \$7,990,000 in school improvement unlimited tax general obligation refunding bonds, which consisted of current interest bonds and premium capital appreciation bonds in the amounts of \$7,500,000 and \$490,000, respectively and \$590,000 in energy conservation limited tax general obligation bonds. The bonds were issued for the purpose of advance refunding currently outstanding serial and term bonds and to fund various energy conservation improvement projects. The current interest bonds, capital appreciation bonds, and energy conservation bonds will mature in fiscal years 2029, 2027, and 2023, respectively. The maturity amount of the capital appreciation bonds is \$2,240,000.

On January 31, 2013, the School District issued \$4,465,000 in school improvement unlimited tax general obligation refunding bonds, which consisted of current interest bonds and premium capital appreciation bonds in the amounts of \$4,125,000 and \$340,000, respectively. The bonds were issued for the purpose of advance refunding a portion of the currently outstanding 2005 serial and term bonds. The current interest bonds and capital appreciation bonds will mature in fiscal years 2034 and 2030/2031, respectively. The maturity amount of the capital appreciation bonds is \$1,700,000.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**10. DEBT (Continued)**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The School District's assessed valuation for fiscal year 2017 was \$290,727,800 as shown at the end of Note 6. The School District's overall legal debt margin was \$10,973,673 with an unvoted debt margin of \$290,728, and an Energy Conservation debt margin of \$2,186,550.

<b>Future Obligations</b>					
<b>Fiscal Year</b>	<b>Principal</b>	<b>Premium</b>	<b>Discount</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 1,050,000	\$ 21,634	\$ 257	\$ 329,626	\$ 1,401,517
2019	1,105,000	9,210	468	297,439	1,412,117
2020	1,145,000	24,362	(470)	264,464	1,433,356
2021	655,000	407,280	600	743,051	1,805,931
2022	335,000	455,778	(187)	837,292	1,627,883
2023-2027	4,235,000	461,292	(2,690)	1,579,158	6,272,760
2028-2032	3,195,000	606,074	-	1,842,936	5,644,010
2033-2034	1,725,000	91,804	-	59,763	1,876,567
Total	<u>\$ 13,445,000</u>	<u>\$ 2,077,434</u>	<u>\$ (2,022)</u>	<u>\$ 5,953,729</u>	<u>\$ 21,474,141</u>

<b>Capital Lease Schedule</b>	
<b>Fiscal Year</b>	<b>Principal</b>
2018	\$ 31,000
2019	32,000
2020	33,000
Total	<u>\$ 96,000</u>

**11. SET ASIDE REQUIREMENTS**

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

	<b>Capital Improvements</b>
Set Aside Balance as of June 30, 2016	\$ -
Current Fiscal Year Set Aside Requirement	345,522
Qualifying Disbursements	(501,664)
Current Fiscal Year Offsets	-
Totals	<u>\$ (156,142)</u>
Set Aside Balance Carried Forward to Future Fiscal Years	\$ -
Set Aside Restricted Balance as of June 30, 2017	\$ -

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**11. SET ASIDE REQUIREMENTS (Continued)**

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

**12. 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

**B. Litigation**

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

**13. JOINTLY GOVERNED ORGANIZATIONS**

**Ohio Hi-Point Joint Vocational School** – The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each participating School District's elected board. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Eric Adelsberger, who serves as treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

**Western Ohio Computer Organization** – The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign 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. This organization is governed by a board of directors consisting of 14 members: the superintendent of the fiscal agent Midwest Regional Educational Service Center, two superintendents from each county that is represented, one treasurer representative from the School Districts, student services representative from the School Districts, and a non-voting independent School District representative. The degree of control exercised by any participating School District is limited to its representation on the board. Financial information can be obtained from Donn Walls, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council** – The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 School Districts in 12 counties. The purpose of the council is to obtain reduced prices for quality merchandise and services commonly used by schools. All member School Districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.



**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

Each member School 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 School Districts. Any School District 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. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as director, 303 Corporate Center Dr, Suite 208, Vandalia, Ohio 45377.

**Southwestern Ohio Instructional Technology Association** – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from within the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member School Districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 1205 E. Fifth Street, Dayton, OH 45402.

**14. INSURANCE POOL**

**Ohio Association of School Business Officials (OASBO)/Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program – Ohio SchoolComp** - The School District participates in the OASBO/OSBA Workers' Compensation Group Rating Program (the "Program"), an insurance purchasing pool. The Program's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Program. Each year, the participating School Districts pay an enrollment fee to the Program to cover the costs of administering the Program. The intent of the Program is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. CompManagement provides administrative, cost control and actuarial services to the Program.

See also Note 13 for Southwestern Educational Purchasing Council.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**15. RELATED ORGANIZATION**

**St. Paris Public Library** – The St. Paris Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Graham Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority and the School District issued tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the St. Paris Public Library, Robin Hanlin, Fiscal Officer, P.O. Box 740, St. Paris, Ohio 43072.

**16. INTERFUND ASSETS/LIABILITIES AND TRANSFERS**

Interfund transactions at June 30, 2017, consisted of transfer/advances in and transfer/advances out:

	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Advance In</b>	<b>Advance Out</b>
Permanent Improvement Fund		\$55,000		
OSFC Maintenance Fund	\$55,000			
Title I Fund				\$8,716
General Fund			\$8,716	
	<u>\$55,000</u>	<u>\$55,000</u>	<u>\$8,716</u>	<u>\$8,716</u>

The School District transferred \$55,000 from the Permanent Improvement fund to the Classroom Facilities Maintenance Fund to meet the requirements of the Ohio School Facilities Commission (OSFC) for the 0.5 mill tax levy for facilities maintenance per Board Resolution 11-103. The OSFC and the Auditor of State approved an alternative funding arrangement for the potential "shortfall" when the current 0.5 mill tax levy expires in 2019 (last collected in FY2020). The School District must make annual deposits through 2020 in the event that the 0.5 tax levy for building maintenance is not renewed by voters in 2019 since the useful life of the new building extends through 2031, or 23 years from the project agreement date of 2008.

The School District returned the advance of \$8,716 from the Title I Fund to the General Fund.

**17. SUBSEQUENT EVENT**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 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 school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

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

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through State Department of Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$ 71,123	\$ -	\$ 71,123	\$ -
National School Lunch Program	10.555	275,053	42,177	275,053	42,177
Total Child Nutrition Cluster		346,176	42,177	346,176	42,177
<b>Total U.S. Department of Agriculture</b>		<b>346,176</b>	<b>42,177</b>	<b>346,176</b>	<b>42,177</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed through State Department of Education:</i>					
Title I, Part A:					
Title I Grants to Local Educational Agencies - 2016	84.010	55,046	-	64,553	-
Title I Grants to Local Educational Agencies - 2017	84.010	284,099	-	284,284	-
Total Title I, Part A		339,145	-	348,837	-
Special Education Cluster (IDEA):					
Special Education - Grants to States - 2017	84.027	433,250	-	433,250	-
Special Education - Preschool Grants - 2017	84.173	14,628	-	14,628	-
Total Special Education Cluster		447,878	-	447,878	-
Supporting Effective Instruction State Grant - 2016	84.367	11,969	-	11,933	-
Supporting Effective Instruction State Grant - 2017	84.367	38,204	-	38,225	-
Total Supporting Effective Instruction State Grants		50,173	-	50,158	-
<b>Total U.S. Department of Education</b>		<b>837,196</b>	<b>-</b>	<b>846,873</b>	<b>-</b>
<b>Total Federal Financial Assistance</b>		<b>\$ 1,183,372</b>	<b>\$ 42,177</b>	<b>\$ 1,193,049</b>	<b>\$ 42,177</b>

SEE ACCOMPANYING NOTES TO THIS SCHEDULE

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

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

**Note A – Basis of Presentation**

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

**Note B – Summary of Significant Accounting Policies**

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

**Note C – Child Nutrition Cluster**

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

**Note D – Food Donation Program**

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



313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market St., Suite 300  
Wheeling, WV 26003  
304.232.1358

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

October 6, 2017

Graham Local School District  
Champaign County  
7790 West US Highway 36  
St. Paris, OH 43072

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **Graham Local School District**, Champaign County, (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated October 6, 2017, wherein we issued an adverse opinion as the School District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***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.

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***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 audit findings as item 2017-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated October 6, 2017.

***School District's Response to Findings***

The School District's responses to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the School District's response 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 communication is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
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304.232.1358

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

October 6, 2017

Graham Local School District  
Champaign County  
7790 West US Highway 36  
St. Paris, OH 43072

To the Board of Education:

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

***Report on Internal Control Over Compliance***

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

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

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

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
2 CFR § 200.515  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies, CFDA #84.010 Special Education Cluster (IDEA), CFDA #84.027 and #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

**FINDING NUMBER 2017-001**

**Noncompliance**

**Ohio Revised Code § 117.38** provides that each public office 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 Admin. Code § 117-2-03 further classifies the requirements of Ohio Rev. Code § 117.38.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
2 CFR § 200.515  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-001 (Continued)**

**Noncompliance - Ohio Revised Code § 117.38 (Continued)**

Ohio Administrative Code § 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised 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.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

**Officials' Response:** Refer to the Corrective Action Plan at the end of this report

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2016-001	Non-Compliance – Ohio Revised Code §117.38 and Ohio Administrative Code §117-2-03(B) – Failure to prepare financial statements in accordance with generally accepted principles (GAAP)	No	Not Corrected; Repeated as Finding 2017-001.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	The Board of Education and management of the District are knowledgeable concerning the required reporting format (GASB 34 / Generally Accepted Accounting Principles) and the similarities and differences from the required reporting format and the method currently incorporated by the District (Cash Basis of Accounting). District personnel considered the cost-benefit of the two reporting formats and determined reporting on the Cash Basis of Accounting format to be the more fiscally responsible format.	Reassess annually	Judy Geers, Treasurer

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# Dave Yost • Auditor of State

**GRAHAM LOCAL SCHOOL DISTRICT**

**CHAMPAIGN 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  
NOVEMBER 28, 2017**