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*ALGER & ASSOCIATES, Inc.*



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**OLMSTED FALLS CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY**

**A&A**  
**SINGLE AUDIT**

FOR THE YEAR ENDED

June 30, 2017

Karen S. Alger, CPA, CGFM –  
Managing Partner  
6927 Burgundy Ave. NW  
North Canton, OH 44720  
Phone (330) 354-2327  
Fax (330) 768-7574

Gary L. Alger, CPA  
Partner  
6927 Burgundy Ave NW  
North Canton, OH 44720  
Phone (330) 353-5851  
Fax (330) 768-7574





# Dave Yost • Auditor of State

Board of Education  
Olmsted Falls City School District  
26937 Bagley Road  
Olmsted Falls, Ohio 44138

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Olmsted Falls City 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

January 17, 2018



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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# **ALGER & ASSOCIATES, Inc.**

**Certified Public Accountants**

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## INDEPENDENT AUDITOR'S REPORT

Olmsted Falls City School District  
Cuyahoga County  
26937 Bagley Road  
Olmsted Falls, Ohio 44138

To the Board of Education:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Olmsted Falls City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Olmsted Falls City School District, Cuyahoga County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Alger and  
Associates  
Inc**

Digitally signed by Alger and Associates Inc  
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Date: 2017.12.26 15:13:54 -05'00'

Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, OH  
December 18, 2017

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**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities decreased \$7,905,909 which represents a 49.64% decrease under the 2016 deficit balance of \$15,926,200.
- General revenues accounted for \$38,394,128 in revenue or 87.97% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$5,251,723 or 12.03% of total revenues of \$43,645,851.
- The District had \$51,551,760 in expenses related to governmental activities; only \$5,251,723 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$38,394,128 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the building fund. The general fund had \$37,376,591 in revenues and other financing sources and \$42,728,991 in expenditures and other financing uses. During fiscal 2017, the general fund's fund balance decreased \$5,352,400 from \$14,008,762 to \$8,656,362.
- The building fund had \$21,960,371 in revenues and other financing sources and \$427,740 in expenditures. During fiscal 2017, the building fund's fund balance increased \$21,532,631 from \$0 to \$21,532,631.

**Reporting the District as a Whole**

*Statement of Net position and the Statement of Activities*

The analysis of the District as a whole begins on page 17. While this document contains all of the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "why" or "why not". The Statement of Net Position and the Statement of Activities provide the basis for answering these questions. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting which is similar to that used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

All of the District's programs and services are reported as Governmental Activities in the Statement of Net Position and the Statement of Activities. Governmental Activities consist of functions that are principally supported by taxes and intergovernmental revenues. Such activities include instruction, support services, food service operations and extracurricular activities among others for the District.

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

***Fund Financial Statements***

The analysis of the District's major funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions.

However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Building Fund.

***Governmental Funds***

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

***Proprietary Fund***

Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities. The District has one self-insurance fund.

***Fiduciary Funds***

The District's private-purpose trust fund accounts for scholarship programs for students. The District's agency funds account for student managed activities, unclaimed monies and services as fiscal agent for two organizations.

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

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

***Required Supplementary Information***

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole.

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

	<b>Net Position</b>	
	Governmental Activities 2017	Governmental Activities 2016
<b><u>Assets</u></b>		
Current and other assets	\$ 64,879,359	\$ 42,380,510
Capital assets, net	<u>33,447,170</u>	<u>34,893,917</u>
Total assets	<u>98,326,529</u>	<u>77,274,427</u>
<b><u>Deferred outflows of resources</u></b>		
Loss on refunding	656,275	697,488
Pension	<u>13,399,965</u>	<u>5,985,107</u>
Total deferred outflows of resources	<u>14,056,240</u>	<u>6,682,595</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,219,185	6,414,551
Long-term liabilities	<u>109,353,766</u>	<u>75,048,791</u>
Total liabilities	<u>115,572,951</u>	<u>81,463,342</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes	20,588,710	14,855,450
Pension	<u>53,217</u>	<u>3,564,430</u>
Total deferred inflows of resources	<u>20,641,927</u>	<u>18,419,880</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	20,245,843	21,341,160
Restricted	4,511,035	3,821,778
Unrestricted (deficit)	<u>(48,588,987)</u>	<u>(41,089,138)</u>
Total net position	<u>\$ (23,832,109)</u>	<u>\$ (15,926,200)</u>

The District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions made subsequent to the measurement date—an Amendment of GASB Statement No.68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

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

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$23,832,109.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

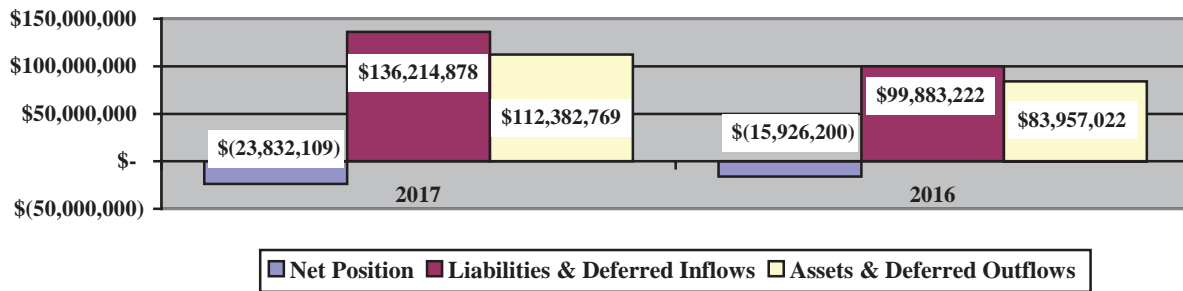
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

At year end, capital assets represented 34.02% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2017, was \$20,245,843. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$4,511,035, represents resources that are subject to external restriction on how they may be used. The remaining balance is a deficit of unrestricted net position.

The graph below presents the District's governmental assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position for fiscal years 2017 and 2016.

**Governmental Activities**



Total assets increased by \$21,052,102 and deferred outflows increased by \$7,373,645. Property taxes receivable contributed \$28,030,245 or 28.51 percent of total assets. Of this amount \$20,588,710 is offset as deferred inflows, which is revenue to be used in future periods.

Total liabilities for Governmental Activities totaled \$115,572,951; of this amount \$109,353,766 or 94.62 percent is included in long-term liabilities. Total liabilities increased by \$34,109,609.

By comparing assets and liabilities, one can see the overall position of the District is acceptable. The majority of revenue supporting all Governmental Activities is General revenue. General revenue totaled \$38,394,128 or 87.97 percent of total revenue. The most significant portion of the General revenue is the local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$5,251,723 or 12.03 percent of total revenue.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

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

	<b>Change in Net Position</b>	
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,826,540	\$ 1,816,451
Operating grants and contributions	3,372,890	3,165,647
Capital grants and contributions	52,293	50,110
General revenues:		
Property taxes	21,943,631	28,858,555
Grants and entitlements	15,920,569	15,788,871
Investment earnings	196,485	147,102
Other	<u>333,443</u>	<u>313,695</u>
Total revenues	<u>43,645,851</u>	<u>50,140,431</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	23,421,713	20,290,662
Special	8,327,964	8,038,086
Vocational	29,721	37,355
Adult/continuing	9	4,238
Other	301,381	328,255
Support services:		
Pupil	2,219,089	1,945,304
Instructional staff	1,286,481	1,082,840
Board of education	242,368	208,203
Administration	3,034,800	2,694,754
Fiscal	1,070,576	1,120,002
Operations and maintenance	4,210,576	4,190,693
Pupil transportation	2,302,991	1,982,515
Central	928,239	727,010
Operation of non-instructional services:		
Other non-instructional services	249,451	184,495
Food service operations	1,014,025	883,531
Extracurricular activities	2,039,931	1,803,929
Interest and fiscal charges	<u>872,445</u>	<u>570,426</u>
Total expenses	<u>51,551,760</u>	<u>46,092,298</u>
Change in net position	(7,905,909)	4,048,133
Net position at beginning of year	<u>(15,926,200)</u>	<u>(19,974,333)</u>
Net position at end of year	<u><u>\$ (23,832,109)</u></u>	<u><u>\$ (15,926,200)</u></u>



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

**Governmental Activities**

Net position of the District's governmental activities decreased \$7,905,909 under the 2016 balance. Total governmental expenses of \$51,551,760 were offset by program revenues of \$5,251,723 and general revenues of \$38,394,128. Program revenues supported 10.19% of the total governmental expenses.

The District prepared and closely monitored its five-year financial forecast that included forecasted revenues and expenditures for the District's primary General operating fund.

House Bill 920 effectively freezes tax revenue to a specific dollar amount the minute a levy is passed. This House Bill also eliminates any growth from local revenue; therefore, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of academically excellent service.

Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive grant and entitlement funds to help offset some operating costs. Property taxes made up 50.28 percent of revenues for governmental activities for the District in fiscal year 2017. The decrease in tax revenue for fiscal year 2017 resulted from fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end. The tax advance available for the fiscal years ended June 30, 2017, 2016, and 2015 were \$4,011,337, \$8,646,695, and \$5,839,371, respectively. The amount of tax advance available can vary depending upon when tax bills are sent out by Cuyahoga County. The amount of tax advance available at fiscal year-end is reported as revenue in that fiscal year.

Approximately 62.23 percent of the School District's budget is used for instructional expenses. Supporting services for pupils, staff and business operations account for an additional 29.67 percent. The remaining amount of program expenses, roughly 8.10 percent, is budgeted to facilitate other obligations of the District including food service operations, extracurricular activities, and interest and fiscal charges.

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**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

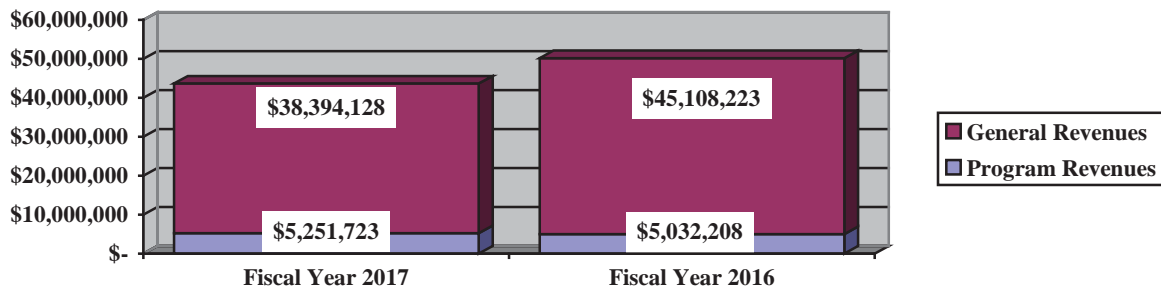
**Governmental Activities**

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses:				
Instruction:				
Regular	\$ 23,421,713	\$ 22,379,377	\$ 20,290,662	\$ 19,303,251
Special	8,327,964	6,088,563	8,038,086	5,941,660
Vocational	29,721	24,589	37,355	33,385
Adult/continuing	9	9	4,238	4,238
Other	301,381	301,381	328,255	328,255
Support services:				
Pupil	2,219,089	2,219,089	1,945,304	1,910,931
Instructional staff	1,286,481	1,221,037	1,082,840	1,040,319
Board of Education	242,368	242,368	208,203	208,203
Administration	3,034,800	3,032,323	2,694,754	2,690,159
Fiscal	1,070,576	1,070,576	1,120,002	1,120,002
Operations and maintenance	4,210,576	4,165,458	4,190,693	4,138,603
Pupil transportation	2,302,991	2,161,047	1,982,515	1,850,484
Central	928,239	919,239	727,010	718,010
Operation of non-instructional services				
Other non-instructional services	249,451	43,644	184,495	(21,666)
Food service operations	1,014,025	89,247	883,531	(27,025)
Extracurricular activities	2,039,931	1,469,645	1,803,929	1,250,855
Interest and fiscal charges	872,445	872,445	570,426	570,426
<b>Total expenses</b>	<b><u>\$ 51,551,760</u></b>	<b><u>\$ 46,300,037</u></b>	<b><u>\$ 46,092,298</u></b>	<b><u>\$ 41,060,090</u></b>

The dependence upon tax and other general revenues for governmental activities is apparent; 89.75% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.81%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

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

**Governmental Activities - General and Program Revenues**



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$34,364,197, which is a higher balance than last year's total balance of \$17,818,374. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	<u>Fund Balance June 30, 2017</u>	<u>Fund Balance June 30, 2016</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 8,656,362	\$ 14,008,762	\$ (5,352,400)	(38.21) %
Building	21,532,631	-	21,532,631	100.00 %
Other Governmental	<u>4,175,204</u>	<u>3,809,612</u>	<u>365,592</u>	9.60 %
Total	<u>\$ 34,364,197</u>	<u>\$ 17,818,374</u>	<u>\$ 16,545,823</u>	92.86 %

**General Fund**

The District's general fund balance decreased \$5,352,400. Expenditures exceeded revenues during fiscal year 2017 by \$4,754,380. The general fund transferred \$600,000 into a nonmajor governmental fund.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 18,601,110	\$ 25,422,260	\$ (6,821,150)	(26.83) %
Tuition	228,132	226,581	1,551	0.68 %
Earnings on investments	123,132	143,037	(19,905)	(13.92) %
Intergovernmental	17,200,083	16,648,074	552,009	3.32 %
Other revenues	<u>1,222,154</u>	<u>1,226,146</u>	<u>(3,992)</u>	(0.33) %
Total	<u>\$ 37,374,611</u>	<u>\$ 43,666,098</u>	<u>\$ (6,291,487)</u>	(14.41) %
<b><u>Expenditures</u></b>				
Instruction	\$ 27,293,136	\$ 26,113,854	\$ 1,179,282	4.52 %
Support services	13,617,168	12,931,833	685,335	5.30 %
Non-instructional services	9,986	8,944	1,042	11.65 %
Extracurricular activities	1,061,912	978,645	83,267	8.51 %
Debt service	<u>146,789</u>	<u>146,274</u>	<u>515</u>	0.35 %
Total	<u>\$ 42,128,991</u>	<u>\$ 40,179,550</u>	<u>\$ 1,949,441</u>	4.85 %

Revenues of the general fund decreased \$6,291,487 or 14.41%. The most significant increase was in the area of tax revenue. The decrease in property tax revenue for fiscal year 2017 resulted from fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end. For the general fund, the tax advance available for the fiscal years ended June 30, 2017, 2016, and 2015 were \$3,698,186, \$7,921,006, and \$2,347,088, respectively. The amount of tax advance available can vary depending upon when tax bills are sent out by Cuyahoga County. The amount of tax advance available at fiscal year-end is reported as revenue in the fiscal year in the general fund on the modified accrual basis of accounting. Intergovernmental revenue increased due to an increase in State Foundation revenue received.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

Expenditures of the general fund increased \$1,949,441 or 4.85%. This increase is primarily due to an increase in instruction and support service expenditures, which is due to fluctuations in personnel costs.

**Building Fund**

The building fund had \$21,960,371 in revenues and other financing sources and \$427,740 in expenditures. During fiscal 2017, the building fund's fund balance increased \$21,532,631 from \$0 to \$21,532,631. The fund balance increased due to the issuance of bonds during the current fiscal year.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2017, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$43,195,764 were decreased in the final budget to \$40,845,031. Actual revenues and other financing sources for fiscal year 2017 were \$41,368,000. This represents a \$522,969 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$44,070,266 were decreased in the final budget to \$42,438,648. The actual budget basis expenditures for fiscal year 2017 totaled \$43,334,976, which was \$896,328 more than the final budget appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2017, the District had \$33,447,170 in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal 2017 balances compared to the 2016:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2017	Restated 2016
Land	\$ 1,961,920	\$ 1,961,920
Construction in progress	427,740	-
Building and improvements	27,923,603	29,218,297
Furniture and equipment	2,101,485	2,151,163
Vehicles	1,032,422	1,562,537
Total	\$ 33,447,170	\$ 34,893,917

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

The overall decrease in capital assets of \$1,446,747 is due to depreciation expense of \$2,645,420 and net disposals of \$12,562 exceeding capital outlays of \$1,211,235. See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2017, the District had general obligation bonds outstanding. Of the total long-term debt outstanding, \$850,000 due within one year and \$34,557,705 is due in greater than one year.

The following table summarizes the notes and bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
Tax Anticipation Note	\$ -	\$ 100,000
General Obligation Bonds	<u>35,407,705</u>	<u>14,416,399</u>
Total	<u>\$ 35,407,705</u>	<u>\$ 14,516,399</u>

See Note 14 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District is set in a bedroom community made up of Olmsted Township, Olmsted Falls and small residential areas in North Olmsted, Berea and Columbia. Overall the District has kept a steady student enrollment averaging about 300 students per grade level.

As the preceding information shows, the District heavily depends on its residential property taxpayers. With multiple growing residential developments and rising property values, the District expects to see a slow increase in real estate taxes. This increase will help prolong the need for additional operational revenue for the current time. Through prudent management, the District has managed without new operating money since February 2, 2010 and plan to make this last at least until 2020. Due to the District's strong financial position and high quality of education, the District was able to obtain a Bond Rating increase prior to issuing of \$21.9 million High School renovation Bonds. This rating increase allowed the District to lock in a better interest rate. The continued financial support of the District demonstrates the strong belief of parents and community members that their schools are one of the highest priorities and one of the most important public institutions in the community.

The District is working hard to provide complete transparency to the Community through various mailing publications. These are mailed to all homes within the District. Some of the publications include quarterly school news reports, annual quality profile along with an annual financial prospectus. These publications have shown all the wonderful things that are occurring throughout the District thanks to the dollars received from all our tax payers. Another accomplishment from this past year was the 1st Annual State of the School presentation. This evening presentation by the Superintendent and Treasurer is another time for the Community, Staff, and Parents to come out and show their support while hearing more about some of the wonderful things happening in our District.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

The Olmsted Falls City School District has committed itself to not only Arts, Academic and Athletic success but also financial excellence. This report represents the School District's implementation of the Governmental Accounting Standards Board's (GASB) financial reporting model under Governmental Accounting and Financial Reporting Standards Statement No. 34 (GASB Statement No. 34). Olmsted Falls City School District is committed to continuous improvement in financial reporting to our community.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the district's finances and to demonstrate accountability over the money it receives. If you have questions about this report or need additional financial information, contact Emily C. Dales, Treasurer, at Olmsted Falls City School District, 26937 Bagley Road, Olmsted Falls, Ohio 44138, or email at [edales@ofcs.net](mailto:edales@ofcs.net).

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 36,129,083
Receivables:	
Property taxes . . . . .	28,030,245
Accounts. . . . .	28,066
Accrued interest . . . . .	20,684
Intergovernmental . . . . .	318,393
Prepayments . . . . .	7,391
Materials and supplies inventory. . . . .	329,033
Inventory held for resale. . . . .	16,464
Capital assets:	
Nondepreciable capital assets . . . . .	2,389,660
Depreciable capital assets, net. . . . .	31,057,510
Capital assets, net . . . . .	33,447,170
Total assets. . . . .	98,326,529
<b>Deferred outflows of resources:</b>	
Loss on refunding . . . . .	656,275
Pension - STRS . . . . .	10,087,067
Pension - SERS . . . . .	3,312,898
Total deferred outflows of resources . . . . .	14,056,240
<b>Liabilities:</b>	
Accounts payable. . . . .	267,220
Contracts payable. . . . .	166,892
Accrued wages and benefits payable . . . . .	4,285,627
Intergovernmental payable . . . . .	123,638
Pension obligation payable. . . . .	615,719
Accrued interest payable . . . . .	118,568
Unearned revenue . . . . .	26,134
Claims payable. . . . .	615,387
Long-term liabilities:	
Due within one year. . . . .	1,240,315
Due in more than one year:	
Net pension liability . . . . .	69,891,947
Other amounts due in more than one year . . . . .	38,221,504
Total liabilities . . . . .	115,572,951
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	20,588,710
Pension - SERS. . . . .	53,217
Total deferred inflows of resources . . . . .	20,641,927
<b>Net position:</b>	
Net investment in capital assets . . . . .	20,245,843
Restricted for:	
Capital projects . . . . .	290,169
Permanent fund - expendable . . . . .	186
Permanent fund - nonexpendable . . . . .	100,000
Classroom facilities maintenance . . . . .	426,269
Debt service. . . . .	3,602,922
Locally funded programs . . . . .	38,338
State funded programs. . . . .	29,151
Other purposes . . . . .	24,000
Unrestricted (deficit) . . . . .	(48,588,987)
Total net position (deficit). . . . .	\$ (23,832,109)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 23,421,713	\$ 663,621	\$ 326,422	\$ 52,293	\$ (22,379,377)
Special . . . . .	8,327,964	45,924	2,193,477	-	(6,088,563)
Vocational . . . . .	29,721	-	5,132	-	(24,589)
Adult/continuing. . . . .	9	-	-	-	(9)
Other . . . . .	301,381	-	-	-	(301,381)
Support services:					
Pupil. . . . .	2,219,089	-	-	-	(2,219,089)
Instructional staff . . . . .	1,286,481	-	65,444	-	(1,221,037)
Board of education . . . . .	242,368	-	-	-	(242,368)
Administration. . . . .	3,034,800	1,489	988	-	(3,032,323)
Fiscal. . . . .	1,070,576	-	-	-	(1,070,576)
Operations and maintenance . . . . .	4,210,576	45,118	-	-	(4,165,458)
Pupil transportation. . . . .	2,302,991	9,281	132,663	-	(2,161,047)
Central . . . . .	928,239	-	9,000	-	(919,239)
Operation of non-instructional services:					
Other non-instructional services . . . . .	249,451	-	205,807	-	(43,644)
Food service operations . . . . .	1,014,025	565,431	359,347	-	(89,247)
Extracurricular activities. . . . .	2,039,931	495,676	74,610	-	(1,469,645)
Interest and fiscal charges . . . . .	872,445	-	-	-	(872,445)
<b>Total governmental activities . . . . .</b>	<b>\$ 51,551,760</b>	<b>\$ 1,826,540</b>	<b>\$ 3,372,890</b>	<b>\$ 52,293</b>	<b>(46,300,037)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	19,128,828
Special revenue . . . . .	128,630
Debt service. . . . .	2,029,657
Permanent improvement. . . . .	656,516
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	15,920,569
Miscellaneous . . . . .	196,485
	333,443
<b>Total general revenues . . . . .</b>	<b>38,394,128</b>
Change in net position . . . . .	(7,905,909)
<b>Net position (deficit) at beginning of year . . . . .</b>	<b>(15,926,200)</b>
<b>Net position (deficit) at end of year. . . . .</b>	<b>\$ (23,832,109)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General	Building	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 9,698,057	\$ 21,697,621	\$ 4,130,426	\$ 35,526,104
Receivables:				
Property taxes . . . . .	25,221,345	-	2,808,900	28,030,245
Accounts . . . . .	27,846	-	220	28,066
Accrued interest . . . . .	16,248	4,436	-	20,684
Interfund loans . . . . .	137,452	-	-	137,452
Intergovernmental . . . . .	248,615	-	69,778	318,393
Prepayments . . . . .	7,072	-	319	7,391
Materials and supplies inventory . . . . .	328,683	-	350	329,033
Inventory held for resale . . . . .	-	-	16,464	16,464
Total assets . . . . .	<u>\$ 35,685,318</u>	<u>\$ 21,702,057</u>	<u>\$ 7,026,457</u>	<u>\$ 64,413,832</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 214,882	\$ -	\$ 52,338	\$ 267,220
Contracts payable . . . . .	-	166,892	-	166,892
Accrued wages and benefits payable . . . . .	4,137,314	-	148,313	4,285,627
Compensated absences payable . . . . .	54,213	-	-	54,213
Intergovernmental payable . . . . .	121,907	-	1,731	123,638
Pension obligation payable . . . . .	596,226	-	19,493	615,719
Interfund loans payable . . . . .	-	-	137,452	137,452
Unearned revenue . . . . .	-	-	26,134	26,134
Retirement incentive payable . . . . .	144,236	-	-	144,236
Total liabilities . . . . .	<u>5,268,778</u>	<u>166,892</u>	<u>385,461</u>	<u>5,821,131</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	18,526,440	-	2,062,270	20,588,710
Delinquent property tax revenue not available . . . . .	2,996,719	-	333,744	3,330,463
Intergovernmental revenue not available . . . . .	89,718	-	69,778	159,496
Accrued interest not available . . . . .	11,800	2,534	-	14,334
Miscellaneous revenue not available . . . . .	135,501	-	-	135,501
Total deferred inflows of resources . . . . .	<u>21,760,178</u>	<u>2,534</u>	<u>2,465,792</u>	<u>24,228,504</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	328,683	-	350	329,033
Prepays . . . . .	7,072	-	319	7,391
Permanent fund . . . . .	-	-	100,000	100,000
Restricted:				
Debt service . . . . .	-	-	3,508,835	3,508,835
Capital improvements . . . . .	-	21,532,631	199,267	21,731,898
Classroom facilities maintenance . . . . .	-	-	411,020	411,020
Non-public schools . . . . .	-	-	31,877	31,877
Expendable trust fund . . . . .	-	-	24,000	24,000
Other purposes . . . . .	-	-	38,338	38,338
Extracurricular . . . . .	-	-	29,697	29,697
Permanent fund . . . . .	-	-	186	186
Committed:				
Student instruction . . . . .	129,179	-	-	129,179
Assigned:				
Student instruction . . . . .	94,274	-	-	94,274
Student and staff support . . . . .	331,062	-	-	331,062
Extracurricular activities . . . . .	100	-	-	100
Subsequent year's appropriations . . . . .	1,609,612	-	-	1,609,612
Uniform school supplies . . . . .	33,784	-	-	33,784
Operation of non-instructional services . . . . .	100	-	-	100
Unassigned (deficit) . . . . .	6,122,496	-	(168,685)	5,953,811
Total fund balances . . . . .	<u>8,656,362</u>	<u>21,532,631</u>	<u>4,175,204</u>	<u>34,364,197</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 35,685,318</u>	<u>\$ 21,702,057</u>	<u>\$ 7,026,457</u>	<u>\$ 64,413,832</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

<b>Total governmental fund balances</b>		\$	34,364,197
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			33,447,170
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	3,330,463	
Accrued interest receivable		14,334	
Intergovernmental receivable		294,997	
Total		3,639,794	3,639,794
Unamortized amounts on refundings are not recognized in the funds.			656,275
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			(12,408)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(118,568)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		13,399,965	
Deferred inflows of resources - pension		(53,217)	
Net pension liability		(69,891,947)	
Total		(56,545,199)	(56,545,199)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(35,407,705)	
Retirement incentive payable		(161,982)	
Compensated absences		(3,693,683)	
Total		(39,263,370)	(39,263,370)
<b>Net position (deficit) of governmental activities</b>		<b>\$</b>	<b>(23,832,109)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

	General	Building	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 18,601,110	\$ -	\$ 2,737,273	\$ 21,338,383
Tuition . . . . .	228,132	-	-	228,132
Earnings on investments . . . . .	123,132	60,371	1,742	185,245
Charges for services . . . . .	-	-	561,311	561,311
Extracurricular . . . . .	327,323	-	177,820	505,143
Classroom materials and fees . . . . .	186,756	-	-	186,756
Rental income . . . . .	45,118	-	-	45,118
Contributions and donations . . . . .	11,750	-	46,049	57,799
Contract services . . . . .	294,471	-	5,609	300,080
Other local revenues . . . . .	356,736	-	85,677	442,413
Intergovernmental - intermediate . . . . .	-	-	5,209	5,209
Intergovernmental - state . . . . .	17,066,958	-	543,113	17,610,071
Intergovernmental - federal . . . . .	133,125	-	1,370,971	1,504,096
Total revenues . . . . .	<u>37,374,611</u>	<u>60,371</u>	<u>5,534,774</u>	<u>42,969,756</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	19,765,150	-	527,645	20,292,795
Special . . . . .	7,221,395	-	682,639	7,904,034
Vocational . . . . .	5,201	-	-	5,201
Adult/continuing . . . . .	9	-	-	9
Other . . . . .	301,381	-	-	301,381
Support services:				
Pupil . . . . .	2,087,043	-	-	2,087,043
Instructional staff . . . . .	1,105,320	-	66,404	1,171,724
Board of education . . . . .	241,005	-	-	241,005
Administration . . . . .	2,868,098	-	2,766	2,870,864
Fiscal . . . . .	1,027,498	-	2,077	1,029,575
Operations and maintenance . . . . .	3,901,159	-	112,890	4,014,049
Pupil transportation . . . . .	1,999,932	-	235,374	2,235,306
Central . . . . .	387,113	-	404,764	791,877
Operation of non-instructional services:				
Other non-instructional services . . . . .	9,986	-	220,809	230,795
Food service operations . . . . .	-	-	1,036,473	1,036,473
Extracurricular activities . . . . .	1,061,912	-	882,171	1,944,083
Facilities acquisition and construction . . . . .	-	427,740	20,601	448,341
Debt service:				
Principal retirement . . . . .	143,000	-	1,285,863	1,428,863
Interest and fiscal charges . . . . .	3,789	-	459,862	463,651
Bond issuance costs . . . . .	-	-	257,912	257,912
Accretion on capital appreciation bonds . . . . .	-	-	264,137	264,137
Total expenditures . . . . .	<u>42,128,991</u>	<u>427,740</u>	<u>6,462,387</u>	<u>49,019,118</u>
Excess of expenditures over revenues . . . . .	<u>(4,754,380)</u>	<u>(367,369)</u>	<u>(927,613)</u>	<u>(6,049,362)</u>
<b>Other financing sources (uses):</b>				
Premium on bonds . . . . .	-	-	882,816	882,816
Sale of bonds . . . . .	-	21,900,000	-	21,900,000
Sale of assets . . . . .	1,980	-	-	1,980
Transfers in . . . . .	-	-	600,000	600,000
Transfers (out) . . . . .	(600,000)	-	-	(600,000)
Discount on bonds . . . . .	-	-	(189,611)	(189,611)
Total other financing sources (uses) . . . . .	<u>(598,020)</u>	<u>21,900,000</u>	<u>1,293,205</u>	<u>22,595,185</u>
Net change in fund balances . . . . .	(5,352,400)	21,532,631	365,592	16,545,823
<b>Fund balances at beginning of year . . . . .</b>	<u>14,008,762</u>	<u>-</u>	<u>3,809,612</u>	<u>17,818,374</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 8,656,362</u>	<u>\$ 21,532,631</u>	<u>\$ 4,175,204</u>	<u>\$ 34,364,197</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

<b>Net change in fund balances - total governmental funds</b>	\$	16,545,823
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 1,211,235	
Current year depreciation	<u>(2,645,420)</u>	
Total		(1,434,185)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(12,562)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	605,248	
Earnings on investments	9,827	
Intergovernmental	67,112	
Other local revenue	<u>(6,092)</u>	
Total		676,095
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	1,328,863	
Accreted interest	264,137	
Tax anticipation note	<u>100,000</u>	
Total		1,693,000
The issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(21,900,000)
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
		(882,816)
Discounts on bonds are amortized over the life of the issuance in the statement of activities.		
		189,611
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(81,416)	
Accreted interest on capital appreciation bonds	(48,540)	
Amortization of bond discount	(7,303)	
Amortization of bond premiums	64,742	
Amortization of deferred charges	<u>(41,213)</u>	
Total		(113,730)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		3,501,365
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(5,826,705)
Some expenses reported in the statement of activities, such as compensated absences and retirement incentive, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(207,395)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		
		<u>(134,410)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(7,905,909)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 22,750,000	\$ 23,399,267	\$ 22,823,930	\$ (575,337)
Tuition . . . . .	480,000	275,000	228,132	(46,868)
Earnings on investments . . . . .	120,000	120,000	143,701	23,701
Rental income . . . . .	44,350	44,350	44,813	463
Contributions and donations . . . . .	-	-	500	500
Contract services . . . . .	278,000	278,000	296,939	18,939
Other local revenues . . . . .	382,000	332,000	339,277	7,277
Intergovernmental - state . . . . .	16,053,414	16,043,414	17,047,435	1,004,021
Intergovernmental - federal . . . . .	85,000	37,000	129,010	92,010
<b>Total revenues . . . . .</b>	<b>40,192,764</b>	<b>40,529,031</b>	<b>41,053,737</b>	<b>524,706</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	20,403,525	19,632,414	20,040,714	(408,300)
Special . . . . .	6,460,790	6,216,617	7,358,769	(1,142,152)
Vocational . . . . .	195,691	188,295	5,201	183,094
Adult/continuing . . . . .	17,409	16,751	9	16,742
Other . . . . .	379,488	365,146	359,698	5,448
Support services:				
Pupil . . . . .	2,226,693	2,142,540	2,082,007	60,533
Instructional staff . . . . .	1,213,749	1,167,878	1,103,060	64,818
Board of education . . . . .	315,451	303,529	248,673	54,856
Administration . . . . .	3,034,513	2,919,830	2,878,217	41,613
Fiscal . . . . .	1,154,861	1,111,215	1,034,660	76,555
Operations and maintenance . . . . .	4,539,414	4,367,856	4,139,345	228,511
Pupil transportation . . . . .	2,125,054	2,044,742	2,090,830	(46,088)
Central . . . . .	436,272	419,784	422,887	(3,103)
Other operation of non-instructional services . . . . .	12,189	11,728	9,647	2,081
Extracurricular activities . . . . .	657,378	632,534	677,018	(44,484)
Debt service:				
Principal . . . . .	143,000	143,000	143,000	-
Interest and fiscal charges . . . . .	3,789	3,789	3,789	-
<b>Total expenditures . . . . .</b>	<b>43,319,266</b>	<b>41,687,648</b>	<b>42,597,524</b>	<b>(909,876)</b>
Excess of expenditures over revenues . . . . .	(3,126,502)	(1,158,617)	(1,543,787)	(385,170)
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	-	-	76	76
Refund of prior year's receipts . . . . .	(1,000)	(1,000)	-	1,000
Transfers (out) . . . . .	(600,000)	(600,000)	(600,000)	-
Advances in . . . . .	3,000,000	313,000	312,207	(793)
Advances (out) . . . . .	(150,000)	(150,000)	(137,452)	12,548
Sale of capital assets . . . . .	3,000	3,000	1,980	(1,020)
<b>Total other financing sources (uses) . . . . .</b>	<b>2,252,000</b>	<b>(435,000)</b>	<b>(423,189)</b>	<b>11,811</b>
Net change in fund balance . . . . .	(874,502)	(1,593,617)	(1,966,976)	(373,359)
<b>Fund balance at beginning of year . . . . .</b>	<b>9,252,946</b>	<b>9,252,946</b>	<b>9,252,946</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>1,593,617</b>	<b>1,593,617</b>	<b>1,593,617</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 9,972,061</b>	<b>\$ 9,252,946</b>	<b>\$ 8,879,587</b>	<b>\$ (373,359)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 602,979
Total assets. . . . .	<u>602,979</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>615,387</u>
Total liabilities . . . . .	<u>615,387</u>
<b>Net position:</b>	
Unrestricted (deficit) . . . . .	<u>(12,408)</u>
Total net position (deficit). . . . .	<u>\$ (12,408)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 5,883,773
Total operating revenues . . . . .	<u>5,883,773</u>
<b>Operating expenses:</b>	
Claims and administrative services. . . . .	<u>6,018,183</u>
Total operating expenses. . . . .	<u>6,018,183</u>
Operating loss . . . . .	<u>(134,410)</u>
<b>Net position at beginning of year. . . . .</b>	<u>122,002</u>
<b>Net position (deficit) at end of year. . . . .</b>	<u>\$ (12,408)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 5,883,773
Cash payments for claims and administrative services . .	<u>(5,862,786)</u>
Net cash provided by operating activities. . . . .	<u>20,987</u>
<b>Cash and cash equivalents at beginning of year . . .</b>	<u>581,992</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 602,979</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss . . . . .	\$ (134,410)
Changes in assets and liabilities:	
Increase in claims payable . . . . .	<u>155,397</u>
Net cash provided by operating activities. . . . .	<u><u>\$ 20,987</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 5,265	\$ 147,859
Receivables:		
Accounts . . . . .	-	155
Total assets. . . . .	5,265	\$ 148,014
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 4,513
Due to students. . . . .	-	38,198
Undistributed monies . . . . .	-	105,303
Total liabilities . . . . .	-	\$ 148,014
<b>Net position:</b>		
Held in trust for scholarships . . . . .	5,265	
Total net position. . . . .	\$ 5,265	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,122
Total additions. . . . .	1,122
 <b>Deductions:</b>	
Scholarships awarded . . . . .	800
Change in net position . . . . .	322
<b>Net position at beginning of year. . . . .</b>	<b>4,943</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 5,265</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

The Olmsted Falls City School District (District) operates under a locally-elected five member Board and provides educational services as mandated by State statute and federal guidelines.

The District includes the City of Olmsted Falls, Olmsted Township, small portions of the Cities of Berea and North Olmsted, and a small portion of Columbia Township. All of the communities served are located in Cuyahoga County with the exception of Columbia Township, which is located in Lorain County. The District is staffed by 234 certified, 173 non-certified, and 19 administrative personnel who provide services to 3,684 students and other community members. The District currently operates an early childhood center (Pre K-K), primary school (1-3), an intermediate school (4-5), a middle school (6-8) and a high school (9-12).

*Reporting Entity*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of funds, agencies, departments and offices that are not legally separate from the District. For Olmsted Falls City School District, the agencies and departments provide the following services: general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District participates in three jointly governed organizations, one insurance purchasing pool and one risk sharing pool. These organizations are Connect, the Ohio Schools Council Association, the Polaris Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Note 17, Note 18 and Note 19 of the basic financial statements.

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

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

**A. Basis of Presentation**

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” of revenues and expenses. These statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

Fund Financial Statements - During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The internal service fund is presented in a single column on the face of the internal service fund statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District’s major governmental fund:

General Fund - The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

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

*Building Fund* - The building fund is used to account for resources that are restricted for capital outlays including the acquisition or construction of capital facilities and other capital assets. This fund accounts for receipts and expenditures related to all special bond funds in the District. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Other governmental funds of the District are used to account for grants and other resources whose uses are restricted to a particular purpose.

*Proprietary Fund Type* - Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The District has an internal service fund and no enterprise funds.

*Internal Service Fund* - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District, or to governments, on a cost reimbursement basis. The District's internal service fund is:

*Self-Insurance Fund* - This fund accounts for monies received from other funds and employees as payment for providing medical hospitalization, dental, and vision insurance benefits. The self-insurance fund may make payments for services provided to employees, reimbursements to employees who have paid providers, to third party administrators for claim payments or administration, for stop-loss coverage, other reinsurance, or other similar purposes.

*Fiduciary Fund Type* - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student managed activities, unclaimed monies and services as a fiscal agent for two organizations.

**C. Measurement Focus**

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

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

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its internal service fund activity.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 10 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

For the District, See Note 10 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

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

**E. Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed prior to fiscal year-end.

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

**F. Cash and Cash Equivalents**

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

During the fiscal year, the District had investments in federal agency securities, the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit, commercial paper and U.S. Government money market. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices.

During fiscal year 2017, the 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 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.



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

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

For 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 District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2017 amounted to \$123,132, which includes \$36,363 assigned from other District funds.

Investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**G. Restricted Assets**

Assets are restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. The District had no restricted assets at fiscal year-end.

**H. Inventory**

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

**I. Capital Assets**

All capital assets of the District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Building and Improvements	15 - 40 years
Furniture and Equipment	5 - 15 years
Vehicles	5 - 10 years

**J. Bond Premium and Discount**

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are receipted in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the bonds payable. On the fund financial statements, bond discounts are expended in the year the bonds are issued.

Bond issuance costs are expended when incurred.

**K. Gain/Loss on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method, and is presented as deferred outflows of resources on the statement of net position.

**L. Compensated Absences**

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "accrued wages and benefits payable" in the general fund.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the internal service fund financial statements.

In general, governmental fund payables and accrued liabilities, that have been incurred, are paid in a timely manner from current financial resources and are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the government fund financial statements when due.

**N. Net Position**

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

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**O. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board of Education assigns fund balance by resolution. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget.

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

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**P. Interfund Activity**

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

**Q. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the funds. All revenues and expenses not meeting this definition are reported as non-operating.

**R. Extraordinary and Special Items**

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

**S. Estimates**

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

**T. Pensions**

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

**U. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

**V. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

On the fund financial statements, reported prepayments are equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

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

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 22); however, there was no effect on beginning net position/fund balance.

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

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

**B. Deficit Fund Balances**

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 92,433
IDEA Part-B	3,981
Title I	68,311
Improving teacher quality	3,600

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
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,

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$1,900 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".



**OLMSTED FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**B. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all District deposits was \$10,009,439. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$1,285,736 of the District’s bank balance of \$9,852,158 was exposed to custodial risk as discussed below, while \$8,566,422 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

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

Measurement/ Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
Negotiable CD's	\$ 3,485,011	\$ 496,471	\$ 248,216	\$ 496,129	\$ 246,861	\$ 1,997,334
FFCB	326,203	-	-	-	-	326,203
FHLB	248,680	-	-	-	-	248,680
FHLMC	299,856	-	-	-	-	299,856
FNMA	248,848	-	-	-	248,848	-
U.S. Government money market	83,442	83,442	-	-	-	-
Commercial paper	9,218,723	8,970,625	248,098	-	-	-
Amortized Cost:						
STAR Ohio	<u>12,360,105</u>	<u>12,360,105</u>	-	-	-	-
Total	<u>\$ 26,270,868</u>	<u>\$ 21,910,643</u>	<u>\$ 496,314</u>	<u>\$ 496,129</u>	<u>\$ 495,709</u>	<u>\$ 2,872,073</u>

The weighted average maturity of investments is 0.63 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FFCB, FHLB, FHLMC, FNMA), commercial paper and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

*Interest Rate Risk:* Interest rate risk arises potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address credit risk beyond the adherence to Chapter 135 of the Ohio Revised Code. The federal agency securities have been assigned a rating of AA+ by Standard & Poor's and a rating of Aaa by Moody's. The negotiable CDs are covered by FDIC.

*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 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.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

Measurement/ <u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Fair Value:		
Negotiable CD's	\$ 3,485,011	13.26
FFCB	326,203	1.24
FHLB	248,680	0.95
FHLMC	299,856	1.14
FNMA	248,848	0.95
U.S. Government money market	83,442	0.32
Commercial paper	9,218,723	35.09
Amortized Cost:		
STAR Ohio	<u>12,360,105</u>	<u>47.05</u>
Total	<u>\$ 26,270,868</u>	<u>100.00</u>

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,009,439
Investments	26,270,868
Cash on hand	1,900
Total	\$ 36,282,207
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 36,129,083
Private-purpose trust funds	5,265
Agency fund	147,859
Total	\$ 36,282,207

**NOTE 5 - INTERFUND TRANSACTIONS**

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

	<u>Amount</u>
<u>Transfers from the general fund to:</u>	
Nonmajor governmental funds	\$ 600,000

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

Transfers between governmental funds are eliminated on the government-wide statements.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 137,452

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid in one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 6 - PROPERTY TAXES**

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

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

The District receives property taxes from Cuyahoga and Lorain Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$3,698,186 in the general fund, \$325,154 in the bond retirement debt service fund (a nonmajor governmental fund), \$68,476 in the permanent improvement fund (a nonmajor governmental fund) and \$19,256 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$7,921,006 in the general fund, \$478,284 in the bond retirement debt service fund (a nonmajor governmental fund), \$263,100 in the permanent improvement fund (a nonmajor governmental fund) and \$85,091 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 500,215,180	97.37	\$ 504,898,010	97.23
Public utility personal	<u>13,490,790</u>	<u>2.63</u>	<u>14,365,600</u>	<u>2.77</u>
Total	<u>\$ 513,705,970</u>	<u>100.00</u>	<u>\$ 519,263,610</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$102.20		\$100.40	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2017 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported in the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 28,030,245
Accounts	28,066
Accrued interest	20,684
Intergovernmental	<u>318,393</u>
Total	<u>\$ 28,397,388</u>

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows. Beginning balances have been reclassified to correctly state asset balances between asset classes. There was no effect on net position.

	Restated Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2017</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,961,920	\$ -	\$ -	\$ 1,961,920
Construction in progress	<u>-</u>	<u>427,740</u>	<u>-</u>	<u>427,740</u>
Total capital assets, not being depreciated	<u>1,961,920</u>	<u>427,740</u>	<u>-</u>	<u>2,389,660</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	50,727,960	43,157	-	50,771,117
Furniture and equipment	11,906,230	477,191	(276,810)	12,106,611
Vehicles	<u>3,828,856</u>	<u>263,147</u>	<u>(354,622)</u>	<u>3,737,381</u>
Total capital assets, being depreciated	<u>66,463,046</u>	<u>783,495</u>	<u>(631,432)</u>	<u>66,615,109</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(21,509,663)	(1,337,851)	-	(22,847,514)
Furniture and equipment	(9,755,067)	(524,341)	274,282	(10,005,126)
Vehicles	<u>(2,266,319)</u>	<u>(783,228)</u>	<u>344,588</u>	<u>(2,704,959)</u>
Total accumulated depreciation	<u>(33,531,049)</u>	<u>(2,645,420)</u>	<u>618,870</u>	<u>(35,557,599)</u>
Governmental activities capital assets, net	<u>\$ 34,893,917</u>	<u>\$ (1,434,185)</u>	<u>\$ (12,562)</u>	<u>\$ 33,447,170</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,872,315
Special	10,082
Vocational	24,520
<u>Support services:</u>	
Pupil	13,006
Instructional staff	1,098
Administration	4,086
Fiscal	2,297
Operations and maintenance	39,648
Pupil transportation	200,950
Central	437,631
Operation of non-instructional services	15,156
Extracurricular activities	19,668
Food service operations	<u>4,963</u>
Total depreciation expense	<u>\$ 2,645,420</u>

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**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017, the District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) for property insurance. The primary deductibles are \$0 for property coverage. Professional liability is protected by the SORSA for all Board Members, administrators and employees with a limit of \$15,000,000 per occurrence and \$15,000,000 aggregate limit.

The Hylant Administrative Services Company maintains a \$20,000 public official bond each for the Superintendent, Treasurer and the Board President. Other employees handling money are covered by a blanket bond in the amount of \$100,000.

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

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the immediate Past President of the Ohio School Boards Association. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The District provides health, prescription drugs, dental and vision insurance benefits to eligible employees who elect to participate. These benefits are partially self-insured as a result of the District's participation in the Great Lakes Regional Council of Governments. At fiscal year-end, self-insurance was in effect with stop-loss of \$250,000 per person and an aggregate stop-loss of 125% of expected claims for medical and prescription. Excess losses are insured by Medical Mutual of Ohio.

The accounting for the self-insurance operation is maintained in the internal service fund. The internal service fund accounts for receipts of premiums from employees and other District funds. The internal service fund also accounts for payments of claims and administrative fees.

The claims liability of \$615,387, which is reported in the internal service fund as of June 30, 2017, is based on unpaid claims costs, including an estimate for claims which have been incurred but not reported. The estimate was provided by an actuary and the third party administrator. The change in the claims liability for the last two years is presented in the following table:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2017	\$ 459,990	\$ 6,018,183	\$ (5,862,786)	\$ 615,387
2016	562,613	4,822,057	(4,924,680)	459,990

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

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

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

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

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

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



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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District’s contractually required contribution to SERS was \$912,283 for fiscal year 2017. Of this amount, \$75,161 is reported as pension obligation payable.

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

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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

The District's contractually required contribution to STRS was \$2,589,082 for fiscal year 2017. Of this amount, \$418,058 is reported as pension obligation payable.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.200613100%	0.163524390%	
Proportion of the net pension liability current measurement date	<u>0.201558900%</u>	<u>0.164728800%</u>	
Change in proportionate share	<u>0.000945800%</u>	<u>0.001204410%</u>	
Proportionate share of the net pension liability	\$ 14,752,252	\$ 55,139,695	\$ 69,891,947
Pension expense	\$ 1,508,662	\$ 4,318,043	\$ 5,826,705

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 198,973	\$ 2,227,908	\$ 2,426,881
Net difference between projected and actual earnings on pension plan investments	1,216,848	4,578,076	5,794,924
Changes of assumptions	984,794	-	984,794
Difference between District contributions and proportionate share of contributions/ change in proportionate share	-	692,001	692,001
District contributions subsequent to the measurement date	<u>912,283</u>	<u>2,589,082</u>	<u>3,501,365</u>
Total deferred outflows of resources	<u>\$ 3,312,898</u>	<u>\$ 10,087,067</u>	<u>\$ 13,399,965</u>
<b>Deferred inflows of resources</b>			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>53,217</u>	<u>-</u>	<u>53,217</u>
Total deferred inflows of resources	<u>\$ 53,217</u>	<u>\$ -</u>	<u>\$ 53,217</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$3,501,365 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ 580,230	\$ 1,283,952	\$ 1,864,182
2019	579,354	1,283,951	1,863,305
2020	838,017	3,040,686	3,878,703
2021	<u>349,797</u>	<u>1,889,396</u>	<u>2,239,193</u>
Total	<u>\$ 2,347,398</u>	<u>\$ 7,497,985</u>	<u>\$ 9,845,383</u>

***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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - 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, 2016, are presented below:

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

**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 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.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 19,531,062	\$ 14,752,252	\$ 10,752,189

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS*

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

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

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

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

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

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

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 73,276,174	\$ 55,139,695	\$ 39,840,506

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

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

**NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$108,166.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$108,166, \$136,940, and \$183,740, respectively. The fiscal year 2017 amount has been reported as pension obligation payable. The full amount has been contributed for fiscal years 2016 and 2015.

**B. State Teachers Retirement System**

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

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

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn up to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is one-fourth of accrued, but unused sick leave credit to a maximum payment of 90 days.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 12 - OTHER EMPLOYEE BENEFITS - (Continued)**

**B. Retirement Incentive**

Certified Employees

Any teacher who has not been eligible to retire prior to July 1, 2003 under the State Teachers Retirement System (STRS) pursuant to Ohio Revised Code Section 3307.38 and any applicable STRS regulations and who becomes eligible to retire can receive a retirement incentive of \$1,200 for each year of STRS service up to a maximum of thirty years, if the teacher retires at the end of the school year in which the teacher first becomes eligible. If an eligible teacher has not yet completed thirty years of service and does not retire at the end of the school year in which the teacher first becomes eligible, the teacher will have one more opportunity to take advantage of this incentive by retiring at the end of the school year in which the teacher completes thirty years of service. This incentive, combined with any severance pay entitlement will be paid in three installments over a period of three years, with any lump sum severance pay to be issued within thirty days of the effective date of the teacher's retirement; 50 percent of the retirement incentive to be payable one year following the teacher's effective retirement date, with the remaining 50 percent to be paid two years after the effective date of retirement. To be eligible for this incentive, the teacher must submit a resignation on for before March 1 of the school year in which the teacher first becomes eligible to retire and must retire no later than June 30 of that school year. The teacher seeking this retirement incentive is responsible for insuring the Board has accurate information regarding the teacher's service credit. The Board will provide a courtesy reminder of the teacher's eligibility for this incentive by December 15 of the school year in which the teacher is first eligible for retirement. This courtesy does not impact the teacher's notice requirements.

Classified Employees

Any employee who has not been eligible to retire prior to July 1, 2004 under the School Employees Retirement System (SERS) pursuant to Ohio Revised Code Section 3309.34 and any applicable SERS regulations and who becomes eligible to retire can receive a retirement incentive of 50 percent of the employee's base wage at the time of retirement, excluding overtime, bonuses, extra trips or "extra" compensation if the employee retires at the end of the school year in which the employee first becomes eligible. If the employee has not yet completed 30 years of SERS service and does not retire at the end of the school year in which the employee first becomes eligible, the employee will have one more opportunity to take advantage of this incentive by retiring during or at the end of the school year in which the employee completes 30 years of SERS service. This incentive, combined with any severance pay entitlements, will be paid in three installments, with any lump sum severance pay to be issued within 30 days of proof of retirement and 50 percent of the retirement incentive to be payable the first pay period in July following the next full fiscal year following the date of retirement. The balance of the incentive will be payable the first pay period in July following two full fiscal years after the employee's effective retirement date. To be eligible for this incentive, the employee must submit a resignation 90 days prior to the employee's date of retirement.

**C. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to its eligible employees. Coverage is equal to double the employee's annual salary amount rounded to the nearest one thousand dollars. Life insurance is covered through Anthem Life.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

**NOTE 13 - OPERATING LEASES**

The School District is obligated under certain leases that are required to be accounted for as operating leases. During 2017, expenditures for operating leases totaled \$180,023. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2017.

<u>Fiscal Year</u> <u>Ending June 30,</u>	
2018	\$ 121,788
2019	121,788
2020	79,836
2021	<u>69,702</u>
Total	<u>\$ 393,114</u>

**NOTE 14 - LONG-TERM OBLIGATIONS**

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's long-term notes and bonds are:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Long-Term Note:			
Tax Anticipation Note - 2013	1.50%	\$ 700,000	August 1, 2016
General Obligation Bonds:			
Classroom Facilities Refunding - 2003	2.0-14.065%	5,789,978	December 15, 2017
School Improvement - 2007	4.0-11.793%	14,755,972	December 1, 2035
Energy Conservation Improvement - 2012	1.75%	700,000	December 1, 2017
Classroom Facilities Refunding - 2015B	.7-.85%	1,945,000	December 1, 2016
Classroom Facilities Refunding - 2015A	3.0-14.7%	8,624,960	December 1, 2035
School Improvement - 2017A	2.5-5.00%	20,000,000	December 1, 2051
School Improvement - 2017B	2.0-2.5%	1,900,000	December 1, 2022

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of the changes in long-term obligations during fiscal year 2017:

	<u>Balance 06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/17</u>	<u>Due in One Year</u>
<b>Governmental Activities:</b>					
Long-Term Note:					
2013 Tax Anticipation Note	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Total Long-Term Notes	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
General Obligation Bonds:					
2007 School Improvement Bonds					
Serial Bonds	3,240,000	-	-	3,240,000	405,000
Capital Appreciation Bonds	140,863	-	(140,863)	-	-
Accretion on Capital Appreciation Bonds	243,437	20,700	(264,137)	-	-
Premium	118,169	-	(14,771)	103,398	-
Discount	(47,488)	-	5,936	(41,552)	-
2012 Energy Conservation Improvement Bond	288,000	-	(143,000)	145,000	145,000
2015B Classroom Facilities Refunding Bonds					
Serial Bonds	995,000	-	(995,000)	-	-
2015A Classroom Facilities Refunding Bonds					
Serial Bonds	8,420,000	-	(50,000)	8,370,000	50,000
Capital Appreciation Bonds	159,960	-	-	159,960	-
Accretion on Capital Appreciation Bonds	22,717	27,840	-	50,557	-
Premium	835,741	-	(41,787)	793,954	-
2017A School Improvement Bonds					
Serial and Term Bonds	-	20,000,000	-	20,000,000	-
Premium	-	827,390	(5,967)	821,423	-
Discount	-	(189,611)	1,367	(188,244)	-
2017B School Improvement Bonds					
Serial and Term Bonds	-	1,900,000	-	1,900,000	250,000
Premium	-	55,426	(2,217)	53,209	-
Total General Obligation Bonds	<u>14,416,399</u>	<u>22,641,745</u>	<u>(1,650,439)</u>	<u>35,407,705</u>	<u>850,000</u>
Net Pension Liability	<u>56,640,536</u>	<u>13,251,411</u>	<u>-</u>	<u>69,891,947</u>	<u>-</u>
Retirement Incentive	351,911	139,363	(185,056)	306,218	144,236
Compensated Absences	<u>3,539,945</u>	<u>430,299</u>	<u>(222,348)</u>	<u>3,747,896</u>	<u>246,079</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 75,048,791</u>	<u>\$ 36,462,818</u>	<u>\$ (2,157,843)</u>	<u>\$ 109,353,766</u>	<u>\$ 1,240,315</u>

All long-term notes and general obligation bonds will be paid from property taxes. Compensated absences will be paid from the general fund.

On September 13, 2007, the District issued \$14,280,000 in general obligation bonds for the purpose of adding to, constructing, furnishing, equipping and otherwise improving District buildings and facilities. Some of the bonds were sold at a premium of \$406,206 and some of the bonds were sold at a discount of \$163,249. The bonds have varying interest rates between 4% to 5%, and a final maturity date of December 1, 2035. Voters passed the 2 mill bond issue in May 2007 to fund payment of these bonds.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

The 2007 general obligation bonds include \$475,972 in capital appreciation bonds. The capital appreciation bonds were issued for a 10 year period with a final maturity at December 1, 2016. For the fiscal year 2016, \$62,303 was accreted. The bonds are being retired from the bond retirement fund.

On June 24, 2015, the District issued \$1,945,000 of Classroom Facilities & School Improvement Refunding Bonds, Series 2015 B at interest rates varying from .70 percent to .85 percent. Proceeds of these refunding bonds and \$900,000 from the District's Debt Service Bond Retirement Fund were used to partially refund the 2003 Classroom Facilities Refunding Bonds.

The Series 2015 B bonds were sold at a par. Proceeds of \$2,813,345 (including \$900,000 from the District's Debt Service Bond Retirement Fund and after a \$31,655 reduction for underwriting fees and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded portion of the 2003 Classroom Facilities Refunding Bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$13,345. The difference, reported as deferred outflow of resources, is being charged to interest through fiscal year 2017.

On June 24, 2015, the District also issued \$8,624,960 of Classroom Facilities & School Improvement Refunding Bonds, Series 2015 A bonds, which included \$8,465,000 in serial bonds and \$159,960 in capital appreciation bonds at interest rates varying from 3.00 percent to 14.70 percent. For fiscal year 2016, \$22,717 was accreted. Proceeds of these refunding bonds were used to refund \$8,625,000 of the outstanding 2007 School Improvement Bonds.

The Series 2015 A bonds were sold at a premium of \$877,528. Proceeds of \$9,350,315 (after an \$152,173 reduction for underwriting fees and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded portion of the 2007 School Improvement Bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$725,355. The difference, reported as deferred outflow of resources, is being charged to interest through fiscal year 2036.

The Series 2015 A serial bonds were issued for a twenty-one year period with a final maturity at December 1, 2035.

On March 2, 2017, the District issued \$20,000,000 of School Improvement Bonds, Series 2017A and \$1,900,000 of School Improvement Bonds, Series 2017B for the purpose of constructing, rehabilitating, adding to, renovating, remodeling, furnishing, equipping and otherwise improving school district buildings. Some of the bonds were sold at a premium of \$882,816 and some of the bonds were sold at a discount of \$189,611. The bonds have varying interest rates between 2.0 percent to 5.0 percent and a final maturity date of December 1, 2051. The bonds are being retired from the bond retirement fund. At June 30, 2017, unspent bond proceeds amount to \$20,245,843.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

The District's overall legal debt margin was \$16,427,600 with an unvoted debt margin of \$519,264 at June 30, 2017. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Year Ended	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 850,000	\$ 1,492,312	\$ 2,342,312	\$ -	\$ -	\$ -
2019	815,000	1,258,278	2,073,278	-	-	-
2020	835,000	1,230,854	2,065,854	-	-	-
2021	865,000	1,201,074	2,066,074	-	-	-
2022	895,000	1,169,799	2,064,799	-	-	-
2023 - 2027	4,345,000	4,805,952	9,150,952	159,960	450,040	610,000
2028 - 2032	5,830,000	4,490,025	10,320,025	-	-	-
2033 - 2037	6,170,000	3,243,859	9,413,859	-	-	-
2038 - 2042	3,470,000	2,325,778	5,795,778	-	-	-
2043 - 2047	4,345,000	1,447,044	5,792,044	-	-	-
2048 - 2052	5,235,000	537,900	5,772,900	-	-	-
Total	<u>\$ 33,655,000</u>	<u>\$ 23,202,875</u>	<u>\$ 56,857,875</u>	<u>\$ 159,960</u>	<u>\$ 450,040</u>	<u>\$ 610,000</u>

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

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

- (f) Some funds are included in the general fund (GAAP 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 GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (1,966,976)
Net adjustment for revenue accruals	(4,228,248)
Net adjustment for expenditure accruals	368,924
Net adjustment for other sources/uses	(174,831)
Funds budgeted elsewhere	(29,411)
Adjustment for encumbrances	<u>678,142</u>
GAAP basis	<u>\$ (5,352,400)</u>

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

**NOTE 16 - SET-ASIDES**

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

**NOTE 16 - SET-ASIDES - (Continued)**

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	619,537
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(1,213,029)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (593,492)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

Connect

The new governing Board of Directors, the Educational Service Centers of Cuyahoga, Lorain and Medina County and the Ohio Schools Council, have accepted the ownership, responsibility and liability of Connect in order to provide exemplary service to member districts.

As a true regional shared-service operation, Connect will build on the capacity of the four governing entities to expand services and respond quickly to district needs. Connect members will have greater access to a more diverse range of expertise and shared services through the partnership of these owner agencies. There are many benefits to Connect begin led by trusted service agencies such as the Educational Service Centers and Ohio Schools Council.

Connect members will experience an increased strength and unwavering service that can reduce costs and make their information technology more effective and efficient, with the ultimate benefit of providing the greatest educational experience possible for students.

The District paid \$117,585 to Connect for fiscal year 2017. Financial information can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, who serves as fiscal agent, at 5700 West Canal Road, Valley View, Ohio 44125.



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)**

Ohio Schools Council Association

The Ohio Schools Council Association (the "Council") is a jointly governed organization comprised of one-hundred twenty-one member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2017, the District paid for membership and other services through Connect. Financial information can be obtained by contacting the Treasurer at Cuyahoga County ESC, who serves as fiscal agent, at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

Polaris Career Center

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of students. The Board of Education is comprised of representatives from the boards of each participating school district. The board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Olmsted Falls City School District students may attend the Polaris Career Center. Each participating school district's control is limited to its representation on the board. The School District did not contribute financially to Polaris Career Center during this fiscal year. Financial information can be obtained by contacting the Treasurer at Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130.

**NOTE 18 - INSURANCE PURCHASING POOL**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefits of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings is then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**NOTE 19 - RISK SHARING POOL**

The District participated in the Schools Ohio Risk Sharing Authority (SORSA), a risk sharing pool with over 65 members. SORSA is a 100 percent member-owned, non-profit insurance risk pool owned and governed by the school district members. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

**NOTE 20 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District has been involved in pending litigation related to delinquent property taxes. The impact maybe significant in the District's favor but details are unknown at this time.

**NOTE 21 - OTHER COMMITMENTS**

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$ 478,305
Building	397,473
Other governmental	<u>226,298</u>
Total	<u>\$ 1,102,076</u>

**NOTE 22 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

The City of Olmsted Falls and Olmsted Township entered into Community Redevelopment Area (CRA) and Economic Zone agreements with various businesses for the abatement of property taxes to bring jobs and economic development into the City. Under the agreement, the companies' property taxes assessed to the District have been abated. During fiscal year 2017, the District's property taxes were reduced by \$167,512.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 23 - CONTRACTUAL COMMITMENTS**

As of June 30, 2017, the District had the following contractual commitments outstanding related to the building project. A summary of the primary contractual commitments follows:

Contractor	Contractual Commitments	Amount Paid as of 6/30/2017	Amount Remaining on Contracts
Architectural Vision Group	\$ 1,273,918	\$ 207,551	\$ 1,066,367
Turner Construction	51,386	-	51,386
Duro-Last Roofing	205,203	-	205,203
Elyria Fence Company	7,178	-	7,178
Farmham Equipment Company	196,392	-	196,392
Microbac Laboratories	4,250	-	4,250
Total	<u>\$ 1,738,327</u>	<u>\$ 207,551</u>	<u>\$ 1,530,776</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.20155890%	0.20061310%	0.20096100%	0.20096100%
District's proportionate share of the net pension liability	\$ 14,752,252	\$ 11,447,178	\$ 10,170,522	\$ 11,950,506
District's covered payroll	\$ 5,436,457	\$ 5,707,371	\$ 5,495,751	\$ 5,490,764
District's proportionate share of the net pension liability as a percentage of its covered payroll	271.36%	200.57%	185.06%	217.65%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

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

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.16472880%	0.16352439%	0.16113600%	0.16113600%
District's proportionate share of the net pension liability	\$ 55,139,695	\$ 45,193,358	\$ 39,193,939	\$ 46,687,459
District's covered payroll	\$ 17,496,950	\$ 16,949,134	\$ 16,422,689	\$ 16,275,849
District's proportionate share of the net pension liability as a percentage of its covered payroll	315.14%	266.64%	238.66%	286.85%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

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

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 912,283	\$ 761,104	\$ 752,231	\$ 761,711
Contributions in relation to the contractually required contribution	(912,283)	(761,104)	(752,231)	(761,711)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 6,516,307	\$ 5,436,457	\$ 5,707,371	\$ 5,495,751
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%



<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 759,922	\$ 732,438	\$ 691,264	\$ 733,869	\$ 549,425	\$ 515,426
<u>(759,922)</u>	<u>(732,438)</u>	<u>(691,264)</u>	<u>(733,869)</u>	<u>(549,425)</u>	<u>(515,426)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,490,764	\$ 5,445,633	\$ 5,499,315	\$ 5,420,011	\$ 5,583,585	\$ 5,248,742
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,589,082	\$ 2,449,573	\$ 2,372,879	\$ 2,134,950
Contributions in relation to the contractually required contribution	<u>(2,589,082)</u>	<u>(2,449,573)</u>	<u>(2,372,879)</u>	<u>(2,134,950)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 18,493,443	\$ 17,496,950	\$ 16,949,134	\$ 16,422,689
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 2,115,860	\$ 2,151,006	\$ 2,154,269	\$ 2,118,625	\$ 2,230,106	\$ 2,141,425
<u>(2,115,860)</u>	<u>(2,151,006)</u>	<u>(2,154,269)</u>	<u>(2,118,625)</u>	<u>(2,230,106)</u>	<u>(2,141,425)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 16,275,849	\$ 16,546,200	\$ 16,571,300	\$ 16,297,112	\$ 17,154,664	\$ 16,472,501
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

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

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant Year</b>	<b>Total Federal Receipts</b>	<b>Non-Cash Receipts</b>	<b>Total Federal Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster						
School Breakfast Program	10.553	2017	\$ 52,184	\$ -	\$ 52,184	\$ -
National School Lunch Program	10.555	2017	226,506	64,596	226,506	64,596
Total Nutrition Cluster			<u>278,690</u>	<u>64,596</u>	<u>278,690</u>	<u>64,596</u>
Total U.S. Department of Agriculture			<u>278,690</u>	<u>64,596</u>	<u>278,690</u>	<u>64,596</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Part A						
Title I Grants to Local Education Agencies	84.010	2016	23,611	-	170	-
Title I Grants to Local Education Agencies	84.010	2017	223,431	-	248,031	-
Total Title I Grants to Local Education Agencies			<u>247,042</u>		<u>248,201</u>	
Special Education Cluster (IDEA):						
Special Education Grants to State IDEA B	84.027	2016	25,384	-	1,067	-
Special Education Grants to State IDEA B	84.027	2017	689,526	-	693,507	-
Total Special Education Grants to State IDEA B			<u>714,910</u>		<u>694,574</u>	
Special Education Preschool Grants	84.173	2017	21,451	-	21,451	-
Total Special Education Cluster(IDEA)			<u>736,361</u>		<u>716,025</u>	
Improving Teacher Quality, Title IIA, Part A						
Improving Teacher Quality State Grants	84.367	2016	8,212	-	1,212	-
Improving Teacher Quality State Grants	84.367	2017	26,946	-	29,346	-
Total Title IIA Improving Teacher Quality State Grants			<u>35,158</u>	<u>-</u>	<u>30,558</u>	
Total U.S. Department of Education			<u>1,018,561</u>		<u>994,784</u>	
<b>Total Expenditures of Federal Awards</b>			<u><u>\$1,297,251</u></u>	<u><u>\$64,596</u></u>	<u><u>\$1,273,474</u></u>	<u><u>\$64,596</u></u>

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

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# **ALGER & ASSOCIATES, Inc.**

**Certified Public Accountants**

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

Olmsted Falls City School District  
Cuyahoga County  
26937 Bagley Road  
Olmsted Falls, Ohio 44138

To the Board of Education:

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

6927 Burgundy Ave. N.W.  
North Canton, OH 44720  
Phone (330) 353-5851  
Fax (330) 768-7574

***Opinion on the Major Federal Program***

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

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

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

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

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

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



*Report on Schedule of Receipts and Expenditures of Federal Awards Required by the Uniform Guidance*

We have also audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Olmsted Falls City School District's Cuyahoga (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our unmodified report thereon dated December 18, 2017. We conducted our audit to opine on the District's basic financial statements as a whole. The accompanying schedule of receipts and expenditures of federal awards presents additional analysis required by the Uniform Guidance and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Alger and  
Associates Inc

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Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, OH

December 18, 2017

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# ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Olmsted Falls City School District  
Cuyahoga County  
26937 Bagley Road  
Olmsted Falls, Ohio 44138

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Olmsted Falls City School District, Cuyahoga County, (the District) as of and for the year end June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2017.

### *Internal Control Over Financial Reporting*

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

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

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

6927 Burgundy Ave. N.W.  
North Canton, OH 44720  
Phone (330) 353-5851  
Fax (330) 768-7574

***Compliance and Other Matters***

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

***Purpose of this Report***

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

Alger and  
Associates  
Inc



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Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, OH

December 18, 2017

OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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 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)?	No
<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 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):	Special Educational Cluster 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?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

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# Dave Yost • Auditor of State

OLMSTED FALLS CITY SCHOOL DISTRICT

CUYAHOGA 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  
JANUARY 30, 2018