HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY

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INDEPENDENT AUDITOR'S REPORT

Hillsboro City School District
Highland County
39 Willetsville Pike
Hillsboro, Ohio 45133

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hillsboro City School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2018, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* We did not modify our opinion regarding this matter.

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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 March 19, 2019, 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.

Keith Faber
Auditor of State
Columbus, Ohio

March 19, 2019

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

Financial Highlights

- The School District's Net Position increased $13,355,732. This was due mainly because of the decrease in the State Teachers Retirement System (STRS) net pension liability. STRS altered assumptions about the long-term rate of return on investments and assumed no cost of living increases.

Using the Basic Financial Statements

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

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other nonmajor funds presented in total in one column. The major funds for the Hillsboro City School District are the General Fund and Permanent Improvement Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

Fiduciary Funds - The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal years 2018 and 2017:

(Table 1)
Net Position
Governmental Activities

	2018	Restated 2017	Change in Net Position
Assets:			
Current and Other Assets	$23,799,143	$23,477,170	$321,973
Capital Assets, Net	52,946,293	54,163,306	(1,217,013)
Total Assets	76,745,436	77,640,476	(895,040)
Deferred Outflows of Resources:			
Deferred Charge on Refunding	193,911	212,767	(18,856)
Pension	9,990,258	8,014,483	1,975,775
OPEB	479,082	63,542	415,540
Total Deferred Outflows of Resources	10,663,251	8,290,792	1,956,919
Liabilities:			
Other Liabilities	2,546,999	3,347,431	(800,432)
Long-Term Liabilities			
Due Within One Year	881,946	865,157	16,789
Due In More Than One Year:			
Net Pension Liability	31,478,132	41,973,872	(10,495,740)
Net OPEB Liability	7,231,751	8,692,114	(1,460,363)
Other Amounts	8,693,853	9,356,672	(662,819)
Total Liabilities	50,832,681	64,235,246	(13,402,565)
Deferred Inflows of Resources:			
Property Taxes	6,040,374	6,261,783	(221,409)
Pension	1,228,345	291,129	937,216
OPEB	808,445	0	808,445
Total Deferred Inflows of Resources	8,077,164	6,552,912	715,807
Net Position:			
Net Investment in Capital Assets	45,145,770	45,653,486	(507,716)
Restricted	6,297,062	3,172,194	3,124,868
Unrestricted (Deficit)	(22,943,990)	(33,682,570)	10,738,580
Total Net Position	$28,498,842	$15,143,110	$13,355,732

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

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $23,771,682 to $15,143,110.

Current and other assets increased $321,973 due to an increase in cash and cash equivalents related to an increase in Property Tax revenues in fiscal year 2018.

Total liabilities decreased $13,402,565. Long-term liabilities decreased mainly as a result of changes made during the fiscal year by the STRS Retirement System.

Total net position increased $13,355,732. Unrestricted net position accounted for the majority share of the net position increase mainly as a result of changes made during the fiscal year by the STRS Retirement System.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

(Table 2)
Changes in Net Position
Governmental Activities

	2018	2017	Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	$2,121,614	$2,098,555	$23,059
Operating Grants, Contributions and Interest	4,598,015	4,405,786	192,229
Capital Grants and Contributions	1,000	7,800	(6,800)
Total Program Revenues	6,720,629	6,512,141	208,488
General Revenues:			
Property Taxes	6,719,294	6,111,004	608,290
Income Taxes	2,883,293	2,732,955	150,338
Grants and Entitlements not Restricted to Specific Programs	15,014,807	15,150,027	(135,220)
Gifts and Donations	0	3,501	(3,501)
Interest	123,831	(341,623)	465,454
Miscellaneous	213,419	286,774	(73,355)
Total General Revenues	24,954,644	23,942,638	1,012,006
Total Revenues	31,675,273	30,454,779	1,220,494
Program Expenses:			
Instruction	9,382,776	20,177,338	(10,794,562)
Support Services:			
Pupils and Instructional Staff	1,458,620	2,762,134	(1,303,514)
Board of Education, Administration, Fiscal and Business	1,720,960	2,829,969	(1,109,009)
Operations and Maintenance of Plant	2,167,137	2,705,730	(538,593)
Pupil Transportation	1,610,766	1,774,447	(163,681)
Central	87,365	86,868	497
Operation of Non-Instructional Services	1,586,467	1,678,457	(91,990)
Extracurricular Activities	(72,014)	850,663	(922,677)
Interest and Fiscal Charges	377,464	399,391	(21,927)
Total Expenses	18,319,541	33,264,997	(14,945,456)
Change in Net Position	13,355,732	(2,810,218)	$16,165,950
Net Position at Beginning of Year - Restated	15,143,110	N/A	
Net Position at End of Year	$28,498,842	$15,143,110	

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $63,542 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $990,055. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$18,319,541
Negative OPEB expense under GASB 75	990,055
2018 contractually required contribution	77,403
Adjusted 2018 program expenses	19,386,999
Total 2017 program expenses under GASB 45	33,264,997
Decrease in program expenses not related to OPEB	($13,877,998)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 12) As a result of these changes, pension expense decreased from $3,356,238 in fiscal year 2017 to a negative pension expense of $9,490,579 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	($4,750,970)
Special	(2,228,656)
Vocational	(279,256)
Support Services:	
Pupils	(442,453)
Instructional Staff	(248,458)
Administration	(719,554)
Fiscal	(8,354)
Operation and Maintenance of Plant	(34,627)
Pupil Transportation	(43,471)
Central	(1,752)
Operation of Non-Instructional Services:	
Food Service Operations	(21,325)
Community Services	(32,751)
Extracurricular Activities	(678,952)
Total Expenses	($9,490,579)

Program revenues, which are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues, were $6,720,629 of total revenues for fiscal year 2018. The increase in program revenues was $208,488 from the prior fiscal year.

The School District remains heavily reliant on State funding. Grants and entitlements not restricted for specific purposes made up $15,014,807 of revenues for governmental activities. The decrease from the prior year was a result of the School District receiving a decrease in State Foundation funding.

Instruction comprises $9,382,776 of governmental activities program expenses. Support service expenses make up $7,044,848 of governmental activities expenses. There was an overall decrease of $14,945,456 in expenditures when compared to fiscal year 2017. Instruction decreased $10,794,562 mainly due to the decrease in the State Teachers Retirement System (STRS) net pension liability. STRS altered assumptions about the long-term rate of return on investments and assumed no cost of living increases.

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $31,826,288 and expenditures of $30,333,705. The net change in fund balance for the General Fund increased $132,795. This was due to an increase in investment earnings and property tax revenue during the fiscal year.

The Permanent Improvement Fund saw an increase of $1,456,059. This is mainly due to a decrease in capital outlay for the costs of various permanent improvement projects that are now complete within the School District.

General Fund - Budget Highlights

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

During the course of fiscal year 2018, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 19, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, the original budget basis revenue was $26,592,942 with a final budget estimate of $27,036,706. The increase of $443,764 was primarily due to an increase in budgeted intergovernmental revenue offset by a large decrease in property tax revenue. Actual revenues were slightly lower than the final budget estimates.

Original budget basis appropriations were $25,596,167 with final budget basis appropriations of $25,556,548. The variance of $39,619 was mainly due to a decreases in operation and maintenance of plant as well as small decreases in the remaining expenditures. This was due to the School District closely monitoring expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $52,946,293 invested in capital assets (net of accumulated depreciation), a decrease of $1,217,013. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2018, the School District had $7,020,000 in bonds outstanding, $475,000 of which are due within one year.

For more information about debt, refer to note 16 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Ben Teeters, Treasurer at Hillsboro City School District, 39 Willetsville Pike, Hillsboro, Ohio 45133.

Hillsboro City School District

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$14,880,805
Inventory Held for Resale	17,520
Materials and Supplies Inventory	3,111
Accrued Interest Receivable	22,244
Accounts Receivable	782
Intergovernmental Receivable	430,313
Prepaid Items	29,316
Property Taxes Receivable	7,248,324
Income Taxes Receivable	1,166,728
Capital Assets:	
Land and Construction in Progress	555,964
Depreciable Capital Assets, Net	52,390,329
Total Assets	76,745,436
Deferred Outflows of Resources:	
Deferred Charge on Refunding	193,911
Pension	9,990,258
OPEB	479,082
Total Deferred Outflows of Resources	10,663,251
Liabilities:	
Accounts Payable	50,109
Accrued Wages and Benefits Payable	2,055,855
Intergovernmental Payable	385,790
Accrued Interest Payable	20,337
Matured Compensated Absences Payable	34,908
Long-Term Liabilities:	
Due Within One Year	881,946
Due In More Than One Year:	
Net Pension Liability (See Note 12)	31,478,132
Net OPEB Liability (See Note 13)	7,231,751
Other Amounts	8,693,853
Total Liabilities	50,832,681
Deferred Inflows of Resources:	
Property Taxes	6,040,374
Pension	1,228,345
OPEB	808,445
Total Deferred Inflows of Resources	8,077,164
Net Position:	
Net Investment in Capital Assets	45,145,770
Restricted for:	
Debt Service	1,429,610
Capital Projects	3,412,203
Food Service	422,219
Classroom Facilities	892,291
Other Purposes	135,616
Library Materials and Service:	
Expendable	105
Nonexpendable	5,018
Unrestricted (Deficit)	(22,943,990)
Total Net Position	$28,498,842

See accompanying notes to the basic financial statements

Hillsboro City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	$6,872,941	$1,168,634	$356,199	$0	($5,348,108)
Special	2,334,040	397,862	2,532,841	0	596,663
Vocational	167,444	47,744	122,565	0	2,865
Student Intervention Services	8,351	0	0	0	(8,351)
Support Services:					
Pupils	653,612	0	0	0	(653,612)
Instructional Staff	805,008	0	195,552	0	(609,456)
Board of Education	38,436	0	0	0	(38,436)
Administration	1,124,551	0	0	0	(1,124,551)
Fiscal	553,510	0	0	0	(553,510)
Business	4,463	0	0	0	(4,463)
Operation and Maintenance of Plant	2,167,137	2,210	29,843	160	(2,134,924)
Pupil Transportation	1,610,766	1,104	142,361	840	(1,466,461)
Central	87,365	0	9,000	0	(78,365)
Operation of Non-Instructional Services	1,586,467	323,138	1,207,140	0	(56,189)
Extracurricular Activities	(72,014)	180,922	2,514	0	255,450
Interest and Fiscal Charges	377,464	0	0	0	(377,464)
Total Governmental Activities	$18,319,541	$2,121,614	$4,598,015	$1,000	(11,598,912)

General Revenues:	
Property Taxes Levied for:	
General Purposes	5,963,149
Debt Service	637,057
Facility Maintenance	119,088
Income Taxes	2,883,293
Grants and Entitlements not Restricted to Specific Programs	15,014,807
Investment Earnings	123,831
Miscellaneous	213,419
Total General Revenues	24,954,644
Change in Net Position	13,355,732
Net Position at Beginning of Year - Restated See Note 3	15,143,110
Net Position at End of Year	$28,498,842

See accompanying notes to the basic financial statements

Hillsboro City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	$5,907,831	$5,724,050	$2,730,145	$14,362,026
Receivables:				
Property Taxes	6,400,098	0	848,226	7,248,324
Income Taxes	1,166,728	0	0	1,166,728
Accounts	782	0	0	782
Intergovernmental	67,480	0	362,833	430,313
Accrued Interest	10,010	9,342	2,892	22,244
Interfund	124,015	0	0	124,015
Prepaid Items	26,163	0	3,153	29,316
Materials and Supplies Inventory	0	0	3,111	3,111
Inventory Held for Resale	0	0	17,520	17,520
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	518,779	0	0	518,779
Total Assets	$14,221,886	$5,733,392	$3,967,880	$23,923,158
Liabilities:				
Accounts Payable	$38,400	$5,706	$6,003	$50,109
Accrued Wages and Benefits Payable	1,857,111	0	198,744	2,055,855
Intergovernmental Payable	360,538	0	25,252	385,790
Interfund Payable	0	0	124,015	124,015
Matured Compensated Absences Payable	34,908	0	0	34,908
Total Liabilities	2,290,957	5,706	354,014	2,650,677
Deferred Inflows of Resources:				
Property Taxes	5,330,755	0	709,619	6,040,374
Unavailable Revenue	975,946	3,835	161,834	1,141,615
Total Deferred Inflows of Resources	6,306,701	3,835	871,453	7,181,989
Fund Balances:				
Nonspendable	26,163	0	11,264	37,427
Restricted	442,827	0	2,744,989	3,187,816
Committed	250,101	0	0	250,101
Assigned	1,284,562	5,723,851	0	7,008,413
Unassigned (Deficit)	3,620,575	0	(13,840)	3,606,735
Total Fund Balances	5,624,228	5,723,851	2,742,413	14,090,492
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$14,221,886	$5,733,392	$3,967,880	$23,923,158

See accompanying notes to the basic financial statements

Hillsboro City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$14,090,492
Amounts reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	555,964	
Other capital assets	78,575,305	
Accumulated depreciation	(26,184,976)	
Total capital assets		52,946,293
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent property taxes	877,318	
Income taxes	195,021	
Intergovernmental	60,145	
Investment earnings	9,131	
Total		1,141,615
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	9,990,258	
Deferred Outflows - OPEB	479,082	
Net Pension Liability	(31,478,132)	
Net OPEB Liability	(7,231,751)	
Deferred Inflows - Pension	(1,228,345)	
Deferred Inflows - OPEB	(808,445)	
Total		(30,277,333)
Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds.		193,911
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(20,337)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General Obligation Bonds payable	(7,020,000)	
Premium on debt issuance	(307,809)	
Accretion on capital appreciation bonds	(508,810)	
Capital leases	(666,625)	
Compensated absences	(1,072,555)	
Total liabilities		(9,575,799)
Net Position of Governmental Activities		$28,498,842

See accompanying notes to the basic financial statements

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

	General Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$5,970,060	$0	$756,595	$6,726,655
Income Taxes	2,858,835	0	0	2,858,835
Intergovernmental	16,350,840	0	3,339,844	19,690,684
Investment Earnings	104,435	69,183	25,770	199,388
Tuition and Fees	1,591,450	0	0	1,591,450
Extracurricular Activities	19,888	0	161,034	180,922
Customer Sales and Service	22,790	1,314	323,138	347,242
Rent	2,000	0	0	2,000
Contributions and Donations	12,179	1,000	2,514	15,693
Miscellaneous	99,307	0	114,112	213,419
Total Revenues	27,031,784	71,497	4,723,007	31,826,288
Expenditures:				
Current:				
Instruction:				
Regular	11,398,390	0	328,379	11,726,769
Special	3,944,165	0	1,278,795	5,222,960
Vocational	510,686	0	0	510,686
Student Intervention Services	408	0	7,943	8,351
Support Services:				
Pupils	1,245,168	0	0	1,245,168
Instructional Staff	961,884	0	189,783	1,151,667
Board of Education	38,436	0	0	38,436
Administration	2,044,635	0	0	2,044,635
Fiscal	544,144	0	24,901	569,045
Business	4,463	0	0	4,463
Operation and Maintenance of Plant	2,002,453	50,954	146,884	2,200,291
Pupil Transportation	1,610,459	261,478	1,277	1,873,214
Central	91,720	0	0	91,720
Operation of Non-Instructional Services	11,745	0	1,635,255	1,647,000
Extracurricular Activities	489,867	0	280,158	770,025
Capital Outlay	0	247,445	0	247,445
Debt Service:				
Principal Retirement	0	0	698,157	698,157
Interest and Fiscal Charges	0	0	283,673	283,673
Total Expenditures	24,898,623	559,877	4,875,205	30,333,705
Excess of Revenues Over (Under) Expenditures	2,133,161	(488,380)	(152,198)	1,492,583
Other Financing Sources (Uses):				
Transfers In	0	1,944,439	55,927	2,000,366
Transfers Out	(2,000,366)	0	0	(2,000,366)
Total Other Financing Sources (Uses)	(2,000,366)	1,944,439	55,927	0
Net Change in Fund Balances	132,795	1,456,059	(96,271)	1,492,583
Fund Balances at Beginning of Year	5,491,433	4,267,792	2,838,684	12,597,909
Fund Balances at End of Year	$5,624,228	$5,723,851	$2,742,413	$14,090,492

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds		$1,492,583
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital assets additions	1,072,209	
Construction in progress additions	22,410	
Depreciation expense	(2,274,960)	
Excess of depreciation over capital outlay expense		(1,180,341)
The proceeds from the sale of capital assets are reported as receipts in the governmental funds. However, the cost of the capital assets are removed from the capital assets account in the statement of net position and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the statement of activities.		
Loss on disposal of capital assets		(36,672)
Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.		
Delinquent property taxes	(7,361)	
Income taxes	24,458	
Intergovernmental	(172,328)	
Investment earnings	4,216	
Total		(151,015)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
Pension	2,043,720	
OPEB	77,403	
Total		2,121,123
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
Pension	9,490,579	
OPEB	990,055	
Total		10,480,634
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:		
Bond payments	625,000	
Capital lease payments	73,157	
Total		698,157
Amortization of bond premiums, deferred charges on the refunding of debt, accretion on bonds, as well as accrued interest payable on the bonds are not reported in the funds, but is allocated as an expense over the life of the debt in the Statement of Activities.		
Decrease in accrued interest payable	2,246	
Amortization of bond premium	29,996	
Amortization of deferred charge on refunding	(18,856)	
Accretion on capital appreciation bonds	(107,177)	
Total		(93,791)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in compensated absences payable		25,054
Change in Net Position of Governmental Activities		$13,355,732

See accompanying notes to the basic financial statements

Hillsboro City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$9,123,201	$6,641,091	$5,907,741	($733,350)
Income Taxes	2,444,320	2,853,701	2,853,701	0
Intergovernmental	13,550,445	15,819,906	16,381,174	561,268
Interest	51,393	60,000	72,103	12,103
Tuition and Fees	1,284,964	1,500,173	1,591,450	91,277
Extracurricular Activities	28,544	33,325	19,888	(13,437)
Customer Sales and Services	17,559	20,500	22,790	2,290
Rent	2,570	3,000	2,000	(1,000)
Gifts and Donations	1,456	1,700	12,179	10,479
Miscellaneous	88,490	103,310	131,865	28,555
Total Revenues	26,592,942	27,036,706	26,994,891	(41,815)
Expenditures:				
Current:				
Instruction:				
Regular	11,636,755	11,715,339	11,421,667	293,672
Special	3,968,481	3,991,722	3,991,722	0
Vocational	515,304	512,852	512,852	0
Support Services:				
Pupils	1,261,379	1,272,833	1,272,833	0
Instructional Staff	1,065,402	1,019,048	1,019,048	0
Board of Education	42,203	40,553	40,553	0
Administration	2,044,534	2,051,460	2,051,460	0
Fiscal	539,855	544,019	544,019	0
Business	4,414	4,463	4,463	0
Operation and Maintenance of Plant	2,237,638	2,132,538	2,132,538	0
Pupil Transportation	1,661,908	1,661,972	1,661,972	0
Central	92,586	92,495	92,495	0
Operation of Non-Instructional Services	13,913	13,301	13,301	0
Extracurricular Activities	511,795	503,953	503,622	331
Total Expenditures	25,596,167	25,556,548	25,262,545	294,003
Excess of Revenues Over Expenditures	996,775	1,480,158	1,732,346	252,188
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,500	2,500	0	(2,500)
Transfers In	500	500	0	(500)
Refund of Prior Year Expenditures	25,000	25,000	11,295	(13,705)
Transfers Out	(2,050,366)	(2,050,366)	(2,000,366)	50,000
Total Other Financing Sources (Uses)	(2,022,366)	(2,022,366)	(1,989,071)	33,295
Net Change in Fund Balance	(1,025,591)	(542,208)	(256,725)	285,483
Fund Balance at Beginning of Year	6,179,367	6,179,367	6,179,367	0
Prior Year Encumbrances Appropriated	281,611	281,611	281,611	0
Fund Balance at End of Year	$5,435,387	$5,918,770	$6,204,253	$285,483

See accompanying notes to the basic financial statements

Hillsboro City School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	$12,223	$84,370
Liabilities:		
Undistributed Monies	0	$84,370
Net Position:		
Held in Trust for Scholarships	$12,223	

See accompanying notes to the basic financial statements

Hillsboro City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust Fund
Additions:	
Contributions and Donations	$2,000
Deductions:	0
Change in Net Position	2,000
Net Position at Beginning of Year	10,223
Net Position at End of Year	$12,223

See accompanying notes to the basic financial statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Hillsboro City School District (the School District) operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3307.7 and Section 119.01 of the Ohio Revised Code.

The School District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies.

Reporting Entity:

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

> *Parochial Schools* – Within the School District boundaries, St. Mary Catholic School and Hillsboro Christian Academy are operated as private schools. Current State legislation provides funding to these parochial schools. Monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund and as part of governmental activities for financial reporting purposes.

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

The School District participates in one jointly governed organization and an insurance purchasing pool. These organizations are presented in Notes 20 and 21 to the basic financial statements. These organizations are:

Jointly Governed Organization:
Miami Valley Educational Computer Association

Insurance Purchasing Pool:
Ohio SchoolComp Group Retrospective Rating Program

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hillsboro 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 more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District fall within two categories: governmental and fiduciary.

Governmental Funds

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

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for and report property tax revenues restricted for the acquiring, constructing, or improving of school facilities or other capital outlays with a useful life of five years or more.

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

Measurement Focus

Government-wide Financial Statements:

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

Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements:

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

The private purpose trust fund is reported using the economic resources measurement focus.

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 and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Notes 7 and 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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: accrued interest, property taxes available for advance, income taxes and grants.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes 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 School District, deferred outflows of resources are reported in the government-wide statement of net position for deferred charges on refunding and for pension and OPEB plans. 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. The deferred outflows of resources related to pension and OPEB plans are explained in Note 12 and 13.

In addition to liabilities, the statement of financial position reports 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 until that time. For the School District, deferred inflows of resources included property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, income taxes, interest, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Note 12 and 13).

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 the governmental funds.

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

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

During fiscal year 2018, the School District's investments were limited to money market mutual funds, commercial paper, negotiable certificates of deposit, Federal Home Loan Mortgage Corporation Medium Term Notes, and Federal Home Loan Bank Bonds. For investments in open-end mutual funds, the fair value is determined by the fund's current share price. The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase less than one year.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to $104,435, which includes $18,325 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and cash equivalents.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or 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. Restricted assets in the General Fund include the amount required by State statute to be set aside to create a reserve for capital acquisitions and for budget stabilization.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable". These amounts are eliminated in the governmental columns of the Statement of Net Position.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased food held for resale.

Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The capitalization threshold is $2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	20 - 40 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	3 - 15 years
Vehicles	8 - 15 years
Textbooks	7 years

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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On governmental fund financial statements, compensated absences are recognized a liability and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the accont "Matured Compensated Absences Payable" in the fund from which the employees are paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

Fund Balance

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted

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

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2019 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 used only to report a deficit balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include activities for food service operations, music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

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

Internal Activity

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

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

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, all of 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 budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary 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 that was in effect at the time the final appropriations were passed.

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

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the government-wide financial statements, bond premiums are recognized in the period in which the bonds were issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The effect of this implementation on net position as reported June 30, 2017 is presented in the following tables.

Net Position June 30, 2017	$23,771,682
Adjustments:	
Net OPEB Liability	(8,692,114)
Deferred Outflow - Payments Subsequent to Measurement Date	63,542
Restated Net Position June 30, 2017	$15,143,110

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 - FUND BALANCES

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

Fund Balances	General Fund	Permanent Improvement	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaids	$26,163	$0	$3,153	$29,316
Inventory	0	0	3,111	3,111
Library Materials	0	0	5,000	5,000
Total Nonspendable	26,163	0	11,264	37,427
Restricted for				
Debt Service	0	0	1,364,217	1,364,217
Food Service Operations	0	0	418,090	418,090
Miscellaneous Grants	0	0	68,670	68,670
Set Asides	442,827	0	0	442,827
Library Services	0	0	123	123
Extracurricular	0	0	17,362	17,362
Capital Maintenance	0	0	876,527	876,527
Total Restricted	442,827	0	2,744,989	3,187,816
Committed to				
Termination Benefits	250,101	0	0	250,101
Assigned to				
Purchases on Order	280,989	0	0	280,989
Future Appropriations	1,003,573	0	0	1,003,573
Capital Projects	0	5,723,851	0	5,723,851
Total Assigned	1,284,562	5,723,851	0	7,008,413
Unassigned (Deficit)	3,620,575	0	(13,840)	3,606,735
Total Fund Balances	$5,624,228	$5,723,851	$2,742,413	$14,090,492

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

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

Net Change in Fund Balance	
GAAP Basis	$132,795
Adjustments:	
Revenue Accruals	11,845
Expenditure Accruals	(42,692)
Encumbrances	(321,230)
Dcrease in Fair Market	
Value of Investments - 2017	(12,301)
Increase in Fair Market	
Value of Investments - 2018	(25,142)
Budget Basis	($256,725)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

6. The State Treasurer's investment pool (STAROhio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed on hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Investments may only be made through specified dealers and institutions.

Investments

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

Mesurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investment
Amortized Cost:				
Commercial Paper	$1,987,191	Less than one year	N/A	21.50%
Fair Value - Level One Inputs:				
Money Market Mutual Fund	535,448	Less than one year	Aaa	5.79%
Fair Value - Level Two Inputs:				
Negotiable Certificate of Deposits	5,275,891	Less than five years	Aaa	57.08%
Federal Home Loan Mortgage Corporation Medium Term Notes	246,870	Less than one year	Aaa	N/A
Federal Home Loan Bank Bonds	1,197,514	Less than five years	Aaa	12.96%
Total Fair Value - Level Two Inputs	6,720,275			
Total Investments	$9,242,914			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District’s recurring fair value measurements as of June 30, 2018. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District’s remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk

The School District has no investment policy beyond State statute that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The negotiable certificates of deposit are in denominations of under $250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. Ohio law requires that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer.

NOTE 7 - PROPERTY TAXES

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

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

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the 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 - property taxes.

The amount available as an advance at June 30, 2018 was $292,527 in the General Fund and $38,105 in the Nonmajor Governmental Funds. The amount available as an advance at June 30, 2017 was $230,208 in the General Fund and $30,059 in the Nonmajor Governmental Funds.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources-unavailable revenue.

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

	2017 Second - Half Collections		2018 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	$292,215,240	92.14%	$292,467,320	91.96%
Public Utility Personal	24,916,930	7.86%	25,553,570	8.04%
Total Assessed Value	$317,132,170	100.00%	$318,020,890	100.00%
Tax rate per $1,000 of assessed valuation	$30.85		$29.25	

NOTE 8 - INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2018, consisted of property taxes, income taxes, accounts (student fees), intergovernmental grants, interest, and interfund. 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. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental receivables consist of the following:

Governmental Activities:	Amounts
Medicaid Reimbursement	$2,419
Idea - B Grant	86,946
Title I Grant	167,733
Title II - A Grant	20,243
Miscellaneous Federal Grants	43,258
Bureau of Workers Compensation Refund	57,652
Ohio Department of Education	44,653
State Foundation Adjustment	7,409
Total Intergovernmental Receivables	$430,313

NOTE 10 - CAPITAL ASSETS

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

	Balance at 6/30/17	Additions	Deductions	Balance at 6/30/18
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$555,964	$0	$0	$555,964
Construction in Progress	394,831	22,410	(417,241)	0
Total Capital Assets Not Being Depreciated	950,795	22,410	(417,241)	555,964
Capital Assets Being Depreciated:				
Land Improvements	4,796,159	707,319	(52,228)	5,451,250
Buildings and Improvements	64,797,772	81,623	0	64,879,395
Furniture, Fixtures and Equipment	4,267,323	666,829	(9,365)	4,924,787
Vehicles	2,327,571	33,679	(37,500)	2,323,750
Textbooks	996,123	0	0	996,123
Totals Capital Assets Being Depreciated	77,184,948	1,489,450	(99,093)	78,575,305
Less Accumulated Depreciation:				
Land Improvements	(1,916,672)	(204,622)	19,150	(2,102,144)
Buildings and Improvements	(16,470,509)	(1,568,376)	0	(18,038,885)
Furniture, Fixtures and Equipment	(2,844,177)	(400,443)	5,771	(3,238,849)
Vehicles	(1,744,957)	(101,519)	37,500	(1,808,976)
Textbooks	(996,122)	0	0	(996,122)
Total Accumulated Depreciation	(23,972,437)	(2,274,960) *	62,421	(26,184,976)
Total Capital Assets Being Depreciated, Net	53,212,511	(785,510)	(36,672)	52,390,329
Governmental Activities Capital Assets, Net	$54,163,306	($763,100)	($453,913)	$52,946,293

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$1,466,276
Special	58,746
Vocational	15,827
Support Services:	
Instructional Staff	72,654
Administration	84,242
Fiscal	1,191
Operation and Maintenance of Plant	288,916
Pupil Transportation	167,623
Operation of Non-Instructional Services - Food Service Operations	71,578
Extracurricular Activities	47,907
Total Depreciation Expense	$2,274,960

NOTE 11 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The School District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers.

General Liability insurance is maintained in the amount of $1,000,000 for each occurrence and $2,000,000 in the general aggregate. Other liability insurance includes $1,000,000 for automobile liability. The School District also has umbrella liability coverage with a limit of $6,000,000. There has been no significant change in coverage from the prior fiscal year. Settled claims have not exceeded coverage in any of the past three years.

In addition, the School District maintains replacement cost insurance on buildings and contents in the blanket amount of $92,763,730. Other property insurance includes band instruments, tools, and physical damage to the blanket limit. The School District pays all appointed officials' bonds by statute.

Employee Medical Benefits

Medical/surgical insurance is offered to employees through United Healthcare. Dental insurance is provided by Delta Dental and Vision coverage is provided through the Vision Service Plan.

The School District provides life insurance to employees through United Healthcare.

Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio SchoolComp Group Retrospective Rating Program (GRRP), an insurance purchasing pool (See Note 21). The intent of the GRRP is to reward participants that are able to keep their claims costs below a predetermined amount. As part of the GRRP, school districts join together as a group. Each school district continues to pay its own individual premium to the State. However, each school district has the opportunity to receive retrospective premium adjustments (refunds or assessments) at 12, 24, and 36 months after the end of the policy year. At the end of each policy year, the Bureau of Workers' Compensation (BWC) will take a snap-shot of the incurred claims losses (indemnity, medical, and reserves) for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by BWC. Each group limits the maximum assessment by selecting a premium cap between five percent and 100 percent of merit rated premium. Participation in the GRRP is limited to school districts that can meet the GRRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRRP.

NOTE 12 – DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OBEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $461,638 for fiscal year 2018. Of this amount, $47,456 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

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

The School District's contractually required contribution to STRS was $1,582,082 for fiscal year 2018. Of this amount, $185,025 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.11632110%	0.09996184%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.11903030%	0.10257258%	
Change in Proportionate Share	0.00270920%	0.00261074%	
Proportionate Share of the Net			
Pension Liability	$7,111,797	$24,366,335	$31,478,132
Pension Expense	($196,479)	($9,294,100)	($9,490,579)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and			
actual experience	$306,067	$940,914	$1,246,981
Changes of assumptions	367,756	5,329,185	5,696,941
Changes in proportionate share and			
difference between School District contributions			
and proportionate share of contributions	229,715	772,901	1,002,616
School District contributions subsequent to the			
measurement date	461,638	1,582,082	2,043,720
Total Deferred Outflows of Resources	$1,365,176	$8,625,082	$9,990,258
Deferred Inflows of Resources:			
Differences between expected and			
actual experience	$0	$196,383	$196,383
Net difference between projected and			
actual earnings on pension plan investments	33,758	804,118	837,876
Changes in proportionate share and			
difference between School District contributions			
and proportionate share of contributions	0	194,086	194,086
Total Deferred Outflows of Resources	$33,758	$1,194,587	$1,228,345

$2,043,720 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$366,999	$1,210,874	$1,577,873
2020	506,517	2,304,750	2,811,267
2021	162,054	1,767,996	1,930,050
2022	(165,790)	564,793	399,003
Total	$869,780	$5,848,413	$6,718,193

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

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

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

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

(6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$9,869,327	$7,111,797	$4,801,804

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$34,928,314	$24,366,335	$15,469,453

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2018, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 13 – DEFINED BENEFIT OPEB PLANS

See Note 12 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $60,305.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $77,403 for fiscal year 2018. Of this amount, $62,063 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.11739280%	0.09996184%	
Proportion of the Net OPEB Liability			
Current Measurement Date	0.12034520%	0.10257258%	
Change in Proportionate Share	0.00295240%	0.00261074%	
Proportionate Share of the Net			
OPEB Liability	$3,229,748	$4,002,003	$7,231,751
OPEB Expense	$211,194	($1,201,249)	($990,055)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and			
actual experience	$0	$231,019	$231,019
Changes in proportionate Share and			
difference between School District contributions			
and proportionate share of contributions	50,983	119,677	170,660
School District contributions subsequent to the			
measurement date	77,403	0	77,403
Total Deferred Outflows of Resources	$128,386	$350,696	$479,082
Deferred Inflows of Resources			
Changes of assumptions	$306,487	$322,374	$628,861
Net difference between projected and			
actual earnings on OPEB plan investments	8,529	171,055	179,584
Total Deferred Inflows of Resources	$315,016	$493,429	$808,445

$77,403 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($94,706)	($38,043)	($132,749)
2020	(94,706)	(38,043)	(132,749)
2021	(72,488)	(38,043)	(110,531)
2022	(2,133)	(38,044)	(40,177)
2023	0	4,720	4,720
Thereafter	0	4,720	4,720
Total	($264,033)	($142,733)	($406,766)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as pension plan, see Note 12.

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$3,900,333	$3,229,748	$2,698,475

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	$2,620,699	$3,229,748	$4,035,837

Actuarial Assumptions – STRS

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

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

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$5,372,626	$4,002,003	$2,918,764

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$2,780,421	$4,002,003	$5,609,750

NOTE 14 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. The classified employees working 12 months of the year earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 245 days for teachers and 248 days for administrators and classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 52 days for teachers and 54 days for administrators and classified employees.

NOTE 15 - CAPITALIZED LEASES – LESSEE DISCLOSURE

In prior years, the School District entered into a lease purchase agreement for a new food truck in the amount of $147,782.

Also, the School District entered into lease purchase agreements for a new bus garage and for the construction of a gymnasium. The School District is leasing the projects from Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the projects during the lease term. Columbus Regional Airport Authority assigned U.S. Bank as trustee. U.S. Bank deposited $205,000 and $613,000, respectively, in the School District's name for the construction of the project. Amounts were paid to contractors by the School District as the work progressed. The School District then submitted invoices to the agent for reimbursement. The School District makes semi-annual lease payments to U.S. Bank. The interest rate is fixed at 4.17 percent plus an annual administrative fee on both leases. The leases are renewable annually and expire in fiscal year 2032. The intention of the School District is to renew the leases annually.

Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments totaled $73,157 during fiscal year 2018.

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Buildings and Improvements	$818,000	($212,910)	$605,090
Vehicles	147,782	(18,473)	129,309
Totals	$965,782	($231,383)	$734,399

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of fiscal year-end.

Fiscal Year Ending June 30,	Total Payments
2019	$103,967
2020	104,577
2021	58,729
2022	55,075
2023	55,453
2024-2028	273,424
2029-2032	216,696
Total Minimum Lease Payments	867,921
Less Amount Representing Interest and Fees	(201,296)
Present Value of Minimum Lease Payments	$666,625

NOTE 16 - LONG-TERM OBLIGATIONS

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

	Restated Amount Outstanding 6/30/17	Additions	Deductions	Amount Outstanding 6/30/18	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
School Improvements - 2001 3.25%	$770,000	$0	$375,000	$395,000	$395,000
School Improvements Refunding -					
2011 3.5%-4.15%	4,425,000	0	70,000	4,355,000	70,000
Capital Appreciation Bonds 3.62%-3.86%	435,000	0	0	435,000	0
Premium on Refunding Bonds	157,201	0	14,291	142,910	0
Accretion on Capital Appreciation Bonds	295,383	64,677	0	360,060	0
School Improvements Refunding					
Bonds 2014 1.00%-3.50%					
Serial Bonds	935,000	0	180,000	755,000	0
Term Bonds	1,070,000	0	0	1,070,000	0
Capital Appreciation Bonds	10,000	0	0	10,000	10,000
Premium on Debt Issue	180,604	0	15,705	164,899	0
Accretion on Capital Appreciation Bonds	106,250	42,500	0	148,750	170,000
Total General Obligation Bonds	$8,384,438	$107,177	$654,996	$7,836,619	$645,000

(Continued)

	Restated Amount Outstanding 6/30/17	Additions	Deductions	Amount Outstanding 6/30/18	Amounts Due in One Year
Governmental Activities:					
Net Pension Liability:					
STRS	$33,460,241	$0	$9,093,906	$24,366,335	$0
SERS	8,513,631	0	1,401,834	7,111,797	0
Total Net Pension Liability	41,973,872	0	10,495,740	31,478,132	0
Net OPEB Liability:					
STRS	5,345,985	0	1,343,982	4,002,003	0
SERS	3,346,129	0	116,381	3,229,748	0
Total Net OPEB Liability	8,692,114	0	1,460,363	7,231,751	0
Capital Leases	739,782	0	73,157	666,625	78,261
Compensated Absences	1,097,609	55,421	80,475	1,072,555	158,685
Total Governmental Activities Long-Term Liabilities	$60,887,815	$162,598	$12,764,731	$48,285,682	$881,946

School Improvement Bonds 2001

On November 15, 2001, the School District issued $10,000,000 in general obligation bonds for the purpose of construction, improvements, renovations and additions to classroom facilities and providing equipment, furnishings and site improvements. These bonds are being paid from property tax revenues. The bonds were issued for a 27 year period, with final maturity in December 2028. The bonds will be retired from the Debt Service Fund.

School Improvement Refunding 2011

In June 2011, the School District issued $5,830,000 in school improvement bonds for the purpose of refunding a portion of the 2001 School Improvement Bonds. $5,395,000 were serial bonds and $435,000 were capital appreciation bonds. The bonds were issued for an 18 year period, with final maturity in December 2029.

The School District defeased the 2001 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2014, the defeased bonds were paid in full.

The capital appreciation bonds will mature in fiscal years 2021 and 2022. The fiscal year 2018 accretion amount was $64,677. The maturity amount of the capital appreciation bonds will be $940,000.

School Improvement Refunding Bonds 2014

In November 2014, the School District issued $2,245,000 in School Improvement General Obligation Bonds for the purpose of refunding a portion of the 2006 School Improvement Bonds. This was an advance refunding. $1,165,000 were serial bonds, $1,070,000 were term bonds, and $10,000 were Capital Appreciation Bonds. The bonds were issued for a 15 year period, with final maturity in December 2028. As a result, $2,245,000 of the 2006 school improvement bonds are considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements. As of June 30, 2016, the defeased bonds were paid in full.

The capital appreciation bonds will mature in fiscal year 2019. The fiscal year 2018 accretion amount was $42,500. The maturity amount of the capital appreciation bonds will be $180,000.

Compensated absences will be paid from the General Fund. There is no repayment schedule for the net pension/OPEB liabilities. However, employer pension/OPEB contributions are made from the General Fund. For additional information related to the net pension liability see notes 12 and 13.

The School District's overall legal debt margin was $22,966,097 with an unvoted debt margin of $318,021 at June 30, 2018.

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

School Improvement Bonds							
Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Term Bonds Principal	Term Bonds Interest	Total
2019	$465,000	$230,945	$10,000	$170,000	$0	$0	$875,945
2020	185,000	47,795	225,000	245,000	0	0	702,795
2021	185,000	44,095	210,000	260,000	0	0	699,095
2022	660,000	199,147	0	0	0	0	859,147
2023	680,000	177,312	0	0	0	0	857,312
2024-2028	2,720,000	408,072	0	0	1,060,000	91,500	4,279,572
2029	610,000	12,658	0	0	10,000	175	632,833
Total	$5,505,000	$1,120,024	$445,000	$675,000	$1,070,000	$91,675	$8,906,699

NOTE 17 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2018, were as follows:

Transfer From	Transfer To: Permanent Improvement Fund	Transfer To: Nonmajor Governmental Fund	Total
General Fund	$1,944,439	$55,927	$2,000,366

Transfers were made from the General Fund to the Permanent Improvement Fund to help pay for additional permanent improvements made by the School District. Transfers were also made from the General Fund to the Nonmajor Governmental Fund for debt payments.

Interfund Balances

Interfund balances at June 30, 2018, consist of the following individual interfund receivables and payable:

Payable	Receivable: Nonmajor Governmental Funds
General Fund	$124,015

Advancing monies to other funds is necessary due to timing difference in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

NOTE 18 - SET-ASIDE CALCULATIONS

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

The School District is no longer required to set aside funds in the budget reserve, with the exception of monies received from the Bureau of Workers' Compensation prior to April 10, 2001, which must be retained for budget stabilization or spent for specified purposes.

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

	Capital Acquisition	Budget Stabilization
Set-aside Balance as of June 30, 2017	$372,047	$75,952
Current Fiscal Year Set-aside Requirement	428,427	0
Prior Year Offset from Bond Proceeds	(191,286)	0
Current Fiscal Year Qualifying Expenditures	(166,361)	0
Set-aside Balance Carried Forward to Future Fiscal Years	$442,827	$75,952
Set-aside Balance as of June 30, 2018	$442,827	$75,952

The total reserve balance at the end of the fiscal year was $518,779.

NOTE 19 - CONTINGENCIES

Grants

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

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

The School District is of the opinion that the ultimate disposition of any legal proceedings will not have a material effect, if any, on the financial condition of the School District.

NOTE 20 - JOINTLY GOVERNED ORGANIZATION

Miami Valley Educational Computer Association

The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Board exercises total control over the operations of the consortium including budgeting, appropriating, contracting and designating management. Each School District and Educational Service Center's degree of control is limited to its representation on the Board. The School District paid MVECA $137,130 for services provided during fiscal year 2018. Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

NOTE 21 – INSURANCE PURCHASING POOL

Ohio SchoolComp Group Retrospective Rating Program

The School District participates in the Ohio SchoolComp Group Retrospective Rating Program (GRRP), an insurance purchasing pool. The GRRP's business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to CompManagement, Inc. to cover the costs of administering the program.

NOTE 22 - ACCOUNTABILITY

At June 30, 2018, the Miscellaneous State Grant and Title VI-B Grant Funds had negative fund balances of $949 and $12,891, respectively. The deficits in these funds were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

NOTE 23 – SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	$321,230
Permanent Improvement Fund	33,002
Other Governmental Funds	159,268
Total	$513,500

Hillsboro City School District

Required Supplementary Information

Hillsboro City School District

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Five Fiscal Years (1)

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.11903030%	0.11632110%	0.11473810%
School District's Proportionate Share of the Net Pension Liability	$7,111,797	$8,513,631	$6,547,069
School District's Covered Payroll	$4,579,636	$3,337,007	$3,457,564
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	155.29%	255.13%	189.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2015	2014
0.11436300%	0.11436300%
$5,787,847	$6,800,801
$3,373,053	$3,167,855
171.59%	214.68%
71.70%	65.52%

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Hillsboro City School District

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.12034520%	0.11739280%
School District's Proportionate Share of the Net OPEB Liability	$3,229,748	$3,346,129
School District's Covered Payroll	$4,579,636	$3,337,007
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	70.52%	100.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

Hillsboro City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.10257258%	0.09996184%	0.09887040%
School District's Proportionate Share of the Net Pension Liability	$24,366,335	$33,460,241	$27,324,887
School District's Covered Payroll	$10,862,636	$11,057,693	$10,326,771
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	224.31%	302.60%	264.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2015	2014
0.10050223%	0.10050223%
$24,445,620	$29,119,463
$9,942,224	$10,592,931
245.88%	274.90%
74.70%	69.30%

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Hillsboro City School District

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.10257258%	0.09996184%
School District's Proportionate Share of the Net OPEB Liability	$4,002,003	$5,345,985
School District's Covered Payroll	$10,862,636	$11,082,871
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	36.84%	48.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

Hillsboro City School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$461,638	$641,149	$467,181	$455,708
Contributions in Relation to the Contractually Required Contribution	(461,638)	(641,149)	(467,181)	(455,708)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$3,419,541	$4,579,636	$3,337,007	$3,457,564
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability				
Contractually Required Contribution (2)	77,403	63,542	57,317	84,678
Contributions in Relation to the Contractually Required Contribution	(77,403)	(63,542)	(57,317)	(84,678)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	2.26%	1.39%	1.72%	2.45%
Total Contributions as a Percentage of Covered Payroll (2)	15.76%	15.39%	15.72%	15.63%

(1) The School District's covered payroll is the same for Pension and OPEB.
(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$467,505	$438,431	$426,036	$306,375	$269,827	$353,345
(467,505)	(438,431)	(426,036)	(306,375)	(269,827)	(353,345)
$0	$0	$0	$0	$0	$0
$3,373,053	$3,167,855	$3,167,551	$2,437,350	$1,992,817	$3,590,902
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
55,766	57,124	63,393	83,610	59,428	200,143
(55,766)	(57,124)	(63,393)	(83,610)	(59,428)	(200,143)
$0	$0	$0	$0	$0	$0
1.65%	1.80%	2.00%	3.43%	2.98%	5.57%
15.51%	15.64%	15.45%	16.00%	16.52%	15.41%

Hillsboro City School District

Required Supplementary Information

Schedule of the School District's Contributions

School Teachers Retirement System of Ohio

Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$1,582,082	$1,520,769	$1,551,602	$1,445,748
Contributions in Relation to the Contractually Required Contribution	(1,582,082)	(1,520,769)	(1,551,602)	(1,445,748)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (2)	$11,300,586	$10,862,636	$11,082,871	$10,326,771
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$1,292,489	$1,377,081	$1,279,824	$287,851	$254,682	$326,413
(1,292,489)	(1,377,081)	(1,279,824)	(287,851)	(254,682)	(326,413)
$0	$0	$0	$0	$0	$0
$9,942,224	$10,592,931	$9,844,800	$2,214,238	$1,959,092	$2,510,869
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$99,422	$105,929	$98,448	$22,142	$19,591	$25,109
(99,422)	(105,929)	(98,448)	(22,142)	(19,591)	(25,109)
$0	$0	$0	$0	$0	$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions - SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass Through Grantor Program Title	Federal pass-thru	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed through Ohio Department of Education:						
Non-Cash Assistance:						
National School Lunch Program	3L60	10.555		$ 85,242		$ 85,242
Cash Assistance:						
National School Breakfast Program	3L70	10.553	275,141		275,141	
National School Lunch Program	3L60	10.555	560,475		560,475	
Special Milk Program	3L60	10.556	929		929	
Summer Food Program	3GE0	10.559	58,758		58,758	
Total Nutrition Cluster			895,303	85,242	895,303	85,242
Total U.S. Department of Agriculture			895,303	85,242	895,303	85,242
U.S. DEPARTMENT OF EDUCATION						
Passed through Ohio Department of Education:						
Title 1						
Title 1 - FY 17	3M00	84.010	198,949		125,314	
Title 1 - FY 18		84.010	741,629		799,106	
Total Title I			940,578		924,420	
Special Education Cluster:						
Special Education Grants to States						
IDEA Part B - FY17	3M20	84.027	105,788		59,487	
IDEA Part B - FY18			457,525		474,736	
Total IDEA Part B			563,313		534,223	
Preschool Subsidy - FY 18	3C50	84.173	8,803		8,803	
Total Special Education Cluster			572,116		543,026	
Title II-A Improving Teacher Quality - FY17	3Y60	84.367	14,796		7,205	
Title II-A Improving Teacher Quality - FY18			105,363		118,496	
Total Title II-A Improving Teacher Quality			120,159		125,701	
Small, Rural School Achievement Program FY17	3Y80	84.358	49,941		12,257	
Small, Rural School Achievement Program FY18			20,596		55,839	
Total Small, Rural School Achievement Program			70,537		68,096	
Striving Readers	3FE0	84.371	233,939		233,939	
Title IV-A-Student Support & Academic Enrichment	3HI0	84.424	19,042		19,042	
Total U.S. Department of Education			**1,956,371**		**1,914,224**	
TOTAL FEDERAL FINANCIAL ASSISTANCE			**$ 2,851,674**	**$ 85,242**	**$ 2,809,527**	**$ 85,242**

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

HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hillsboro City School District (the District) under programs of the federal government for the year ended June 30, 2018. 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E – FOOD DONATION PROGRAM

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

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

Hillsboro City School District
Highland County
39 Willetsville Pike
Hillsboro, Ohio 45133

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 Hillsboro City School District, Highland County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 19, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

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 opinions 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.

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 report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

March 19, 2019

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

Hillsboro City School District
Highland County
39 Willetsville Pike
Hillsboro, Ohio 45133

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Hillsboro City School District's (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 Hillsboro City School District's major federal program for the year ended June 30, 2018. 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.

Opinion on Major Federal Program

In our opinion, Hillsboro City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2018.

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 the 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.

Keith Faber
Auditor of State
Columbus, Ohio

March 19, 2019

HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

HILLSBORO CITY SCHOOL DISTRICT

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2019

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