



Certified Public Accountants, A.C.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY
Single Audit
For the Year Ended June 30, 2018**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

www.perrycpas.com



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

Board of Education
Elida Local School District
4380 Sunnydale Rd
Elida, OH 45807

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

In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Former maintenance employee, Matthew Burton, was responsible for maintaining the interior of District's buildings. As a result, Mr. Burton was authorized to make purchases on behalf of the District at several businesses. Mr. Burton began employment with the District on October 16, 2007 and resigned on May 11, 2017 after suspicions were confirmed of malfeasance.

The District discovered that Mr. Burton was performing secondary employment HVAC work on the side and buying the supplies through the District. As a result, an internal audit was performed by the District. Invoices were reviewed for all vendors from which Mr. Burton was authorized to make purchases.

On June 5, 2018, Mr. Burton entered a plea of guilty to one count of Theft in Office, a felony of the third degree before the Allen County Court of Common Pleas in Case No. CR2017 0327.

On August 6, 2018, at sentencing for the conviction, Judge Jeffrey L. Reed ordered Mr. Burton to pay restitution in the amount of \$85,000 to the Elida Local School District.

In accordance with the foregoing court order and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public property which has been converted or misappropriated is hereby issued against Matthew Burton for \$85,000 in favor of the Elida Local School District's General Fund.

Board of Education
Elida Local School District
4380 Sunnydale Rd
Elida, OH 45807
Page -2-

At separation of service, Mr. Burton voluntarily had the District withhold his vacation leave payout of \$6,128 and personal leave payout of \$300 as a form of repayment. The vacation and personal leave payout was considered partial repayment toward the finding for recovery. On October 9, 2018, the District received and deposited a \$38,229 payment issued to them by the School Employees Retirement System, the balance of Mr. Burton's retirement account. On February 19, 2019, the District received and deposited a \$100 restitution payment issued to them by the Allen County Clerk of Courts of Common Pleas. Accordingly, we considered these as partial repayments of the finding, and a balance of \$40,243 remains unpaid.

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



Keith Faber
Auditor of State
Columbus, Ohio

May 28, 2019

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	4
Statement of Activities – Cash Basis.....	5
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	6
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds.....	7
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget (Non-GAAP Basis) to Actual – General Fund.....	8
Statement of Cash Basis Fiduciary Net Position – Fiduciary Funds.....	9
Statement of Cash Basis Change in Fiduciary Net Position – Private Purpose Trust Fund.....	10
Notes to the Basic Financial Statements.....	11
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	44
Notes to the Schedule of Expenditures of Federal Awards.....	45
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	46
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	48
Schedule of Audit Findings.....	50
Schedule of Prior Audit Findings.....	53
Corrective Action Plan.....	54

This page intentionally left blank.



Certified Public Accountants, A.C.

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

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

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

April 16, 2019

Elida Local School District
Allen County
4380 Sunnydale Avenue
Elida, Ohio 45807

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Elida Local School District**, Allen County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Auditor's Responsibility (Continued)

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

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

Opinion

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

Accounting Basis

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

Other Matters

Supplemental Information

We audited to opine on the 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2019 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 10,517,925
Total Assets	<u>10,517,925</u>
Net Position	
Restricted for:	
Debt Service	2,299,817
Capital Projects	1,738,860
Food Service	874,855
Other Purposes	144,430
Unrestricted	<u>5,459,963</u>
Total Net Position	<u>\$ 10,517,925</u>

See accompanying notes to the basic financial statements

ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY

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

	Program Cash Receipts				Net (Disbursement) Receipts and Changes in Net Position
	Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 13,074,583	\$ 1,515,265	\$ 114,986	\$ -	\$ (11,444,332)
Special	3,176,087	88,643	2,107,158	-	(980,286)
Vocational	-	-	19,983	-	19,983
Support Services:					
Pupils	1,189,418	-	-	-	(1,189,418)
Instructional Staff	681,949	-	-	-	(681,949)
Board of Education	125,208	-	-	-	(125,208)
Administration	1,555,875	-	-	-	(1,555,875)
Fiscal	562,825	-	-	-	(562,825)
Business	164,988	-	-	-	(164,988)
Operation and Maintenance of Plant	2,410,288	-	-	-	(2,410,288)
Pupil Transportation	1,200,661	-	18,462	-	(1,182,199)
Central	121,196	-	-	-	(121,196)
Non-Instructional Services	1,328,576	623,908	914,490	-	209,822
Extracurricular Activities	739,074	224,216	2,455	900	(511,503)
Capital Outlay	292,644	-	-	-	(292,644)
Debt Service:					
Principal	1,615,000	-	-	-	(1,615,000)
Interest and Fiscal Charges	887,788	-	-	-	(887,788)
Total Governmental Activities	29,126,160	2,452,032	3,177,534	900	(23,495,694)
General Receipts:					
Property Taxes Levied for:					
General Purposes					9,690,737
Debt Service					2,464,621
Permanent Improvements					318,885
Grants and Entitlements not Restricted to Specific Programs					11,348,063
Interest					123,265
Rent					28,291
Gifts and Donations					408
Miscellaneous					353,917
Total General Receipts					24,328,187
Change in Net Position					832,493
Net Position at Beginning of Year - Restated (See Note 3)					9,685,432
Net Position at End of Year					\$ 10,517,925

ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 5,478,412	\$ 2,299,817	\$ 1,512,639	\$ 1,221,474	\$ 10,512,342
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	5,583	-	-	-	5,583
Total Assets	<u>5,483,995</u>	<u>2,299,817</u>	<u>1,512,639</u>	<u>1,221,474</u>	<u>10,517,925</u>
Fund Balances					
Nonspendable	24,032	-	-	-	24,032
Restricted	5,583	2,299,817	1,512,639	1,328,722	5,146,761
Assigned	394,002	-	-	-	394,002
Unassigned (Deficit)	5,060,378	-	-	(107,248)	4,953,130
Total Fund Balances	<u>\$ 5,483,995</u>	<u>\$ 2,299,817</u>	<u>\$ 1,512,639</u>	<u>\$ 1,221,474</u>	<u>\$ 10,517,925</u>

See accompanying notes to the basic financial statements

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Receipts:					
Property Taxes	\$ 9,690,737	\$ 2,464,621	\$ -	\$ 318,885	\$ 12,474,243
Intergovernmental	11,811,545	314,877	-	2,387,853	14,514,275
Interest	100,065	-	21,118	13,404	134,587
Tuition and Fees	1,768,183	-	-	-	1,768,183
Charges for Services	-	-	-	459,633	459,633
Extracurricular Activities	38,762	-	-	185,454	224,216
Rent	28,291	-	-	-	28,291
Gifts and Donations	408	-	-	300	708
Miscellaneous	313,281	-	30,856	10,380	354,517
Total Receipts	<u>23,751,272</u>	<u>2,779,498</u>	<u>51,974</u>	<u>3,375,909</u>	<u>29,958,653</u>
Disbursements:					
Current:					
Instruction:					
Regular	13,049,265	-	-	25,318	13,074,583
Special	2,293,109	-	-	882,978	3,176,087
Support Services:					
Pupils	993,166	-	-	196,252	1,189,418
Instructional Staff	613,291	-	-	68,658	681,949
Board of Education	125,208	-	-	-	125,208
Administration	1,408,035	-	-	147,840	1,555,875
Fiscal	507,423	49,173	-	6,229	562,825
Business	164,988	-	-	-	164,988
Operation and Maintenance of Plant	2,309,184	-	-	101,104	2,410,288
Pupil Transportation	1,016,971	-	-	183,690	1,200,661
Central	121,196	-	-	-	121,196
Non-Instructional Services	36,076	-	-	1,292,500	1,328,576
Extracurricular Activities	544,799	-	-	194,275	739,074
Capital Outlay	1,580	-	291,064	-	292,644
Debt Service:					
Principal	-	1,615,000	-	-	1,615,000
Interest and Fiscal Charges	-	887,788	-	-	887,788
Total Disbursements	<u>23,184,291</u>	<u>2,551,961</u>	<u>291,064</u>	<u>3,098,844</u>	<u>29,126,160</u>
Changes in Fund Balances	566,981	227,537	(239,090)	277,065	832,493
Fund Balance at Beginning of Year - Restated (See Note 3)	<u>4,917,014</u>	<u>2,072,280</u>	<u>1,751,729</u>	<u>944,409</u>	<u>9,685,432</u>
Fund Balance at End of Year	<u>\$ 5,483,995</u>	<u>\$ 2,299,817</u>	<u>\$ 1,512,639</u>	<u>\$ 1,221,474</u>	<u>\$ 10,517,925</u>

See accompanying notes to the basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

	<u>Budget Amounts</u>			Final Budget Over (under)
	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$ 9,592,120	\$ 9,592,120	\$ 9,690,737	\$ 98,617
Intergovernmental	10,523,299	11,038,299	11,811,545	773,246
Interest	43,468	43,472	100,065	56,593
Tuition and Fees	1,752,137	1,752,137	1,768,183	16,046
Extracurricular Activities	39,617	39,617	38,762	(855)
Rent	26,890	32,890	28,291	(4,599)
Gifts and Donations	-	12,500	408	(12,092)
Miscellaneous	218,456	233,456	267,861	34,405
Total Receipts	<u>22,195,987</u>	<u>22,744,491</u>	<u>23,705,852</u>	<u>961,361</u>
Disbursements:				
Current:				
Instruction:				
Regular	14,777,200	14,793,177	13,051,521	1,741,656
Special	2,461,501	2,461,501	2,295,098	166,403
Vocational	1,760	1,760	-	1,760
Support Services:				
Pupils	568,672	568,672	993,616	(424,944)
Instructional Staff	474,122	509,123	613,291	(104,168)
Board of Education	24,458	24,458	126,208	(101,750)
Administration	1,287,000	1,287,000	1,408,585	(121,585)
Fiscal	449,308	504,308	521,423	(17,115)
Business	184,046	201,348	165,238	36,110
Operation and Maintenance of Plant	2,579,318	2,579,318	2,331,812	247,506
Pupil Transportation	1,098,694	1,098,694	1,018,454	80,240
Central	63,545	63,545	121,196	(57,651)
Non-Instructional Services	32,896	32,896	36,076	(3,180)
Extracurricular Activities	559,825	559,825	544,799	15,026
Capital Outlay	4,814	4,814	1,580	3,234
Total Disbursements	<u>24,567,159</u>	<u>24,690,439</u>	<u>23,228,897</u>	<u>1,461,542</u>
Excess of Receipts Over (Under) Disbursements	(2,371,172)	(1,945,948)	476,955	2,422,903
Other Financing Sources:				
Sale of Capital Assets	500	500	-	(500)
Refund of Prior Year Expenditures	-	-	45,420	45,420
Total Other Financing Sources	<u>500</u>	<u>500</u>	<u>45,420</u>	<u>44,920</u>
Net Change in Fund Balances	(2,370,672)	(1,945,448)	522,375	2,467,823
Fund Balance at Beginning of Year	4,740,702	4,740,702	4,740,702	-
Prior Year Encumbrances Appropriated	176,312	176,312	176,312	-
Fund Balance at End of Year	<u>\$ 2,546,342</u>	<u>\$ 2,971,566</u>	<u>\$ 5,439,389</u>	<u>\$ 2,467,823</u>

See accompanying notes to the basic financial statements

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 213,361	\$ 75,735
Total Assets	213,361	75,735
Net Position:		
Held in Trust for Scholarships	213,361	-
Held for Student Activities	-	73,685
Undistributed Assets	-	2,050
Total Net Position	\$ 213,361	\$ 75,735

See accompanying notes to the basic financial statements

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Private Purpose Trust</u>
Receipts:	
Interest	\$ 2,468
Gifts and Donations	56,838
Total Receipts	<u>59,306</u>
Disbursements:	
Noninstructional Services	29,430
Total Disbursements	<u>29,430</u>
Change in Net Position	29,876
Net Position at Beginning of Year - Restated (See Note 3)	<u>183,485</u>
Net Position at End of Year	<u><u>\$ 213,361</u></u>

See accompanying notes to the basic financial statements

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 - Description of the School District and Reporting Entity

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

The School District is located in Allen County. It is staffed by one hundred seven classified employees, one hundred sixty certified teaching personnel, and sixteen administrative employees who provide services to 2,423 students and other community members. The School District currently operates three instructional buildings and an administration building.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District.

The Elida Education Foundation, Inc. is organized as an Ohio non-profit corporation which operates exclusively for the benefit of the School District. The Foundation receives and administers donations for educational and public charitable purposes. The Foundation is governed by a five member board of trustees. One trustee is a member of the Board of Education, appointed by the Board of Education. One trustee is the Superintendent of the School District and one trustee is the Treasurer of the School District. The remaining two trustees are elected at the annual meeting of the members. The Foundation is a blended component unit of the School District. The School District acts as fiscal agent for the Foundation. The activity of the Foundation is reflected as a private purpose trust fund of the School District.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 - Description of the School District and Reporting Entity (continued)

The following activities are included within the reporting entity:

Within the School District boundaries, Temple Christian and the Center for Autism and Dyslexia are operated as private schools. Current State legislation provides funding to the parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity is reflected in a special revenue fund of the School District for financial reporting purposes.

The School District participates in two jointly governed organizations and three insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Career Center, Ohio School Plan, Lima Allen County Chamber of Commerce Workers' Compensation Group Rating Plan, and Allen County Schools Health Benefit Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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.

B. 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 are divided into two categories, governmental and fiduciary.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund, the Bond Retirement debt service fund, and the Building capital projects fund.

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes restricted for the payment of principal, interest, and related costs on general obligation debt.

Building Fund - The Building Fund is used to account for bond proceeds restricted to acquire, construct, or improve capital facilities.

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

Fiduciary Funds

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. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for noninstructional staff related activities and various student-managed activities.

Note 2 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the object level for the General Fund and the fund level for all other funds. Budgetary allocations at the function and object level for all other funds are made by the Treasurer.

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

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

E. Cash and Investments

To improve cash management, 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".

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million requiring the excess amount to be transacted the following business day(s) but only to the \$100 million limit. All accounts of the participant will be combined for this purpose.

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 was \$100,065, which included \$25,109 assigned from other School District funds.

Investments of the School District's 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 equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

F. 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, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent amounts required by State statute to be set aside for the acquisition of buses.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

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

Note 2 - Summary of Significant Accounting Policies (continued)

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for music and athletic programs, parochial school subsidies, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Fund Balance

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

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education also assigned fund balance to cover a gap between estimated resources and appropriations in the fiscal year 2019 budget. Certain resources have also been assigned for certain educational activities and capital improvements.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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

L. Pensions/Other Postemployment Benefits

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

Note 3 - Restatement of Fund Balance and Net Position

A review of the purpose/use of a number of the School District's funds resulted in some funds being reported differently than they were reported in prior years. The restatement had the following effect on fund balance/net position of the major and nonmajor funds of the School District as they were previously reported.

	General	Bond Retirement	Building	Other Governmental	Total
Fund Balance at June 30, 2017	\$4,916,021	\$2,072,280	\$1,751,729	\$968,942	\$9,708,972
Change in Fund Structure	993	0	0	(24,533)	(23,540)
Adjusted Fund Balance at June 30, 2017	\$4,917,014	\$2,072,280	\$1,751,729	\$944,409	\$9,685,432

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 3 - Restatement of Fund Balance and Net Position (continued)

The restatement had the following effect on net position.

	Governmental Activities	Private Purpose Trust
Net Position at June 30, 2017	\$9,708,972	\$159,945
Change in Fund Structure	(23,540)	23,540
Adjusted Net Position at June 30, 2017	\$9,685,432	\$183,485

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) was \$44,606.

Note 5 - Accountability

At June 30, 2018, the Title VI-B and Title I special revenue funds had deficit cash balances of \$28,527 and \$78,721, respectively, resulting from disbursements in advance of grant receipts. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed.

Note 6 - Deposits and Investments

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

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

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

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 6 - Deposits and Investments (continued)

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, 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. 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;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 6 - Deposits and Investments (continued)

Investments

The School District reports their investments at cost, fair value, or net asset value per share. The fair value of the negotiable certificates of deposit is not materially different than cost. As of June 30, 2018, the School District had the following investments.

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Less Than Six Months</u>	<u>Six Months to Two Years</u>
Cost			
Negotiable Certificates of Deposit	\$1,004,006	\$497,006	\$507,000
Fair Value			
Mutual Fund	245,438	245,438	0
Net Asset Value Per Share			
STAR Ohio	3,431,156	3,431,156	0
Total	<u>\$4,680,600</u>	<u>\$4,173,600</u>	<u>\$507,000</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the School District from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the School District.

The School District invests in negotiable certificates of deposits, mutual funds, and Star Ohio. The negotiable certificates of deposit are generally covered by SIPC insurance. The mutual funds carry a rating of Aaa-mf by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Negotiable certificates of deposit make up 21.5 percent of the School District's total portfolio.

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 distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

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

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 - Property Taxes (continued)

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

The School District receives property taxes from Allen 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 counties by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2017 Second- Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$364,748,620	95.77%	\$367,238,760	96.52%
Public Utility	16,116,670	4.23	13,229,220	3.48
Total Assessed Value	<u>\$380,865,290</u>	<u>100.00%</u>	<u>\$380,467,980</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.58		\$40.57	

Note 8 - Risk Management

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

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$6,000,000
General Aggregate	8,000,000
Building and Contents	92,947,740
Vehicle Liability	6,000,000

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

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

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 - Risk Management (continued)

The School District participates in the Allen County Schools Health Benefit Plan (Plan), a public entity shared risk pool consisting of ten school districts and the Allen County Educational Service Center. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program and the payment of claims. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School District participates in the Allen County Chamber of Commerce Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

Note 9 - Contractual Obligations

As of June 30, 2018, the School District had contractual commitments as follows:

Vendor	Outstanding Balance
Cardinal Bus Sales and Service	\$92,020
Fenson	215,000
Perry & Associates	14,000
Speer Mechanical	20,733
Taylor Publishing Company	14,500
Wadsworth Service, Inc.	29,274

At fiscal year end, the significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2019 are as follows:

General Fund	\$44,606
Building Fund	288,106
Other Governmental Funds	103,595
Total	\$436,307

Note 10 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability

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

The net pension liability and the net 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 this estimate annually.

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

GASB Statements No. 68 and No. 75 assume the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty 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 health care to eligible benefit recipients.

The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 10 - Defined Benefit Pension Plans (continued)

Age and service requirements for retirement are as follows.

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

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

Annual retirement benefits are calculated based on the final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. 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 3 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 \$449,264 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other certified 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 publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 10 - Defined Benefit Pension Plans (continued)

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307. The DBP 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 sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one years of service credit 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 sixty-five or thirty-five years of service credit and at least age sixty.

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

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty 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 fifty or later.

New members who choose the DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP 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 \$1,371,781 for fiscal year 2018.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 10 - Defined Benefit Pension Plans (continued)

Net Pension Liability

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	.10166890%	.08862315%	
Proportion of the Net Pension Liability Current Measurement Date	.09603830%	.08843048%	
Change in Proportionate Share	.00563060%	.00019267%	
 Proportionate Share of the Net Pension Liability	 \$5,738,076	 \$21,006,850	 \$26,744,926

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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 modification 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.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 10 - Defined Benefit Pension Plans (continued)

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

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

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Mortality among service retired members and beneficiaries were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on 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 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. 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	<u>100.00%</u>	

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 10 - Defined Benefit Pension Plans (continued)

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.5 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$7,962,959	\$5,738,076	\$3,874,283

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	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 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 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

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 10 - Defined Benefit Pension Plans (continued)

For the July 1, 2017, actuarial valuation, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were 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. Preretirement mortality rates were based on the 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 were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety 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 2, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience 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
	100.00%	

*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over the thirty 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.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 10 - Defined Benefit Pension Plans (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. 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	\$30,112,605	\$21,006,850	\$13,336,617

Social Security System

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

Note 11 - Postemployment Benefits

Net Pension Liability

For fiscal year 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The implementation of this statement did not result in any changes to net position reported as of June 30, 2017, as the net OPEB liability is not reported in financial statements prepared following an other comprehensive basis of accounting.

Note 11 - Postemployment Benefits (continued)

School Employees Retirement System (SERS)

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten 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 sixty-five 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 by visiting the 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). The 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 establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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; prorated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. State statute provides 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 \$51,540.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The School District's contribution for health care was \$63,117 for fiscal year 2018.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 - Postemployment Benefits (continued)

State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing health care plan for eligible retirees who participated in the defined benefit and combined pension plans offered by STRS. Ohio law authorizes STRS to offer the 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 STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care 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 postemployment 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 postemployment health care.

Net OPEB Liability

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	.10265500%	.08862315%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>.09708210%</u>	<u>.08843048%</u>	
Change in Proportionate Share	<u>.00557290%</u>	<u>.00019267%</u>	
Proportionate Share of the Net OPEB Liability	\$2,605,428	\$3,450,231	\$6,055,659

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 termination). Actuarially determined amounts are subject to continual review and potential modification as actual results are compared with past expectations and new estimates are made about the future.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 - Postemployment Benefits (continued)

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, 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 inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.5 to 5 percent
Pre-Medicare	7.5 to 5 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates and 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.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 - Postemployment Benefits (continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 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 ten-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 the pension plan, see Note 10.

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 retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 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 Twenty-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 and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) or one percentage point higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4 percent) and one percentage point higher (8.5 percent decreasing to 6 percent) 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	\$3,146,387	\$2,605,428	\$2,176,851

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 - Postemployment Benefits (continued)

	1% Decrease (6.5% Decreasing to 4%)	Current Trend Rate (7.53% Decreasing to 5%)	1% Increase (8.5% Decreasing to 6%)
School District's Proportionate Share of the Net OPEB Liability	\$2,114,110	\$2,605,428	\$3,255,697

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	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 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 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 were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were 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.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 - Postemployment Benefits (continued)

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 reimbursement 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 10.

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the Health Care Fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer Twenty-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 Twenty-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 Twenty-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 (4.16%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	\$4,631,880	\$3,450,231	\$2,516,342
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$2,397,073	\$3,450,231	\$4,836,311

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. All two hundred sixty day administrative personnel earn twenty days of vacation per contract period. The Treasurer earns twenty-five days of vacation per contract period. Accumulated unused vacation time is paid to classified employees, administrative personnel, and the Treasurer upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to two hundred seventy five days for both certified and classified employees. Upon retirement, payment is made for 25 percent of the first two hundred days and \$25 for each day over two hundred for certified employees. Upon retirement, payment is made for 25 percent of the first fifty days and at 40 percent for each day over fifty days for classified employees.

B. Health Care Benefits

The School District offers medical, drug, and dental insurance to most employees through the Allen County Schools Health Benefit Plan. Vision insurance is provided by EyeMed. In addition, the School District offers life insurance through Dearborn National Life Insurance.

Note 13 - Long-Term Obligations

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

	Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2008 School Improvement Bonds					
Serial Bonds 3-4%	\$2,640,000	\$0	1,295,000	\$1,345,000	\$1,345,000
Capital Appreciation Bonds 4.75%	769,986	0	0	769,986	0
Accretion on Capital Appreciation Bonds	449,231	71,755	0	520,986	0
2016 School Improvement Refunding Bonds					
Serial Bonds 2-4%	14,225,000	0	320,000	13,905,000	330,000
Term Bonds 3.38%	10,985,000	0	0	10,985,000	0
Capital Appreciation Bonds 2-3%	939,970	0	0	939,970	0
Accretion on Capital Appreciation Bonds	200,292	39,800	0	240,092	0
Total Governmental Activities	<u>\$30,209,479</u>	<u>\$111,555</u>	<u>\$1,615,000</u>	<u>\$28,706,034</u>	<u>\$1,675,000</u>

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 13 - Long-Term Obligations (continued)

2008 School Improvement General Obligation Bonds - On September 4, 2008, the School District issued general obligation bonds, in the amount of \$38,249,986; serial bonds, in the amount of \$12,320,000, term bonds, in the amount of \$25,160,000, and capital appreciation bonds, in the amount of \$769,986.

The serial bonds maturing after December 1, 2019, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2019, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date. On January 14, 2016, the School District refunded \$1,400,000 of these bonds.

The term bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2027, in the amount of \$6,225,000, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date. On January 14, 2016, the School District refunded \$6,225,000 of these bonds.

The term bonds maturing on December 1, 2036, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2036 (with the balance of \$18,935,000 to be paid at stated maturity on December 1, 2036). On January 14, 2016, the School District refunded \$18,935,000 of these bonds.

The capital appreciation bonds will mature in fiscal years 2020 through 2023. The maturity amount of the bonds is \$5,820,000. For fiscal year 2018, \$71,755 was accreted for a total bond value of \$1,290,972.

2016 School Improvement Refunding Bonds - On January 14, 2016, the School District issued general obligation refunding bonds, in the amount of \$26,559,970; serial bonds, in the amount of \$14,635,000, term bonds, in the amount of \$10,985,000, and capital appreciation bonds, in the amount of \$939,970. These bonds refunded \$26,560,000 of the School District's 2008 School Improvement General Obligation Bonds.

The serial bonds maturing after December 1, 2023, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2023, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2028, in the amount of \$1,910,000, at a redemption price equal to 100 percent of the principal amount redeemed accrued interest to the redemption date.

The term bonds maturing on December 1, 2036, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2034, in the amount of \$4,660,000, at a redemption price equal to 100 percent of the principal amount redeemed accrued interest to the redemption date.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 13 - Long-Term Obligations (continued)

The capital appreciation bonds will mature in fiscal years 2024 through 2026. The maturity amount for the bonds is \$5,580,000. For fiscal year 2018, \$39,800 was accreted for a total bond value \$1,180,062.

As of June 30, 2018, \$27,454,000 of the refunded bonds was still outstanding.

The School District's overall debt margin was \$7,408,343 with an unvoted debt margin of \$367,261 at June 30, 2018.

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

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2019	\$1,675,000	\$0	\$0	\$826,856	\$2,501,856
2020	1,735,000	0	0	760,306	2,495,306
2021	350,000	0	237,150	1,936,456	2,523,606
2022	365,000	0	204,486	1,954,820	2,524,306
2023	380,000	0	176,317	1,968,089	2,524,406
2024-2028	2,255,000	0	1,092,003	9,286,461	12,633,464
2029-2033	6,270,000	3,875,000	0	2,361,154	12,506,154
2034-2037	2,220,000	7,110,000	0	641,382	9,971,382
	<u>\$15,250,000</u>	<u>\$10,985,000</u>	<u>\$1,709,956</u>	<u>\$19,735,524</u>	<u>\$47,680,480</u>

Note 14 - Fund Balance

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

Fund Balance	General	Bond Retirement	Building
Nonspendable for:			
Unclaimed Monies	\$24,032	\$0	\$0
Restricted for:			
Bus Purchase	5,583	0	0
Building Construction	0	0	1,512,639
Debt Service	0	2,299,817	0
Total Restricted	<u>5,583</u>	<u>2,299,817</u>	<u>1,512,639</u>

(continued)

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 14 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Building
Assigned for:			
Capital Improvements	\$213,966	\$0	\$0
Educational Activities	24,456	0	0
Projected Budget Shortage	114,404	0	0
Unpaid Obligations	41,176	0	0
Total Assigned	394,002	0	0
Unassigned	5,060,378	0	0
Total Fund Balance	\$5,483,995	\$2,299,817	\$1,512,639

Fund Balance	Other Governmental Funds	Total Governmental Funds
Nonspendable for:		
Unclaimed Monies	\$0	\$24,032
Restricted for:		
Athletics and Music	201,754	201,754
Building Construction	6,141	1,518,780
Bus Purchase	0	5,583
Debt Service	0	2,299,817
Food Service Operations	874,855	874,855
Non-Public Schools	6,793	6,793
Permanent Improvements	220,080	220,080
Regular Instruction	19,099	19,099
Total Restricted	1,328,722	5,146,761
Assigned for:		
Capital Improvements	0	213,966
Educational Activities	0	24,456
Projected Budget Shortage	0	114,404
Unpaid Obligations	0	41,176
Total Assigned	0	394,002
Unassigned (Deficit)	(107,248)	4,953,130
Total Fund Balance	\$1,221,474	\$10,517,925

Note 15 - Set Asides

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. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years.

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 15 - Set Asides (continued)

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2018.

	<u>Capital Improvements</u>
Balance June 30, 2017	\$0
Current Year Set Aside Requirement	438,826
Qualifying Expenditures	(143,119)
Current Year Offsets	<u>(295,707)</u>
Balance June 30, 2018	<u>\$0</u>

Note 16 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood Counties, and the Cities of St. Marys and Wapakoneta. 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 educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2018, the School District paid \$72,607 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Apollo Career Center

The Apollo Career Center is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Center is operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Apollo Career Center, 3325 Shawnee Road, Lima, Ohio 45806.

Note 17 - Insurance Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Lima Allen County Chamber of Commerce Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Lima Allen County Chamber of Commerce Workers' Compensation Group Rating Plan (Plan) was established through the Lima Allen County Chamber of Commerce as an insurance purchasing pool. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

C. Allen County Schools Health Benefit Plan

The School District participates in the Allen County Schools Health Benefit Plan (Plan), a public entity shared risk pool consisting of the school districts within Allen County and the Allen County Educational Service Center. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Directors which advises the Trustee, Allen County Educational Service Center, concerning aspects of the administration of the Plan.

Each school district decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from the Allen County Educational Service Center, 1920 Slabtown Road, Lima, Ohio 45801.

Note 18 - Contingencies

A. Grants

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

Elida Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 18 - Contingencies (continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. The enrollment adjustments to the School District's June 30, 2018 foundation funding were not significant.

C. Litigation

There are currently no matters in litigation with the School District as defendant.

Note 19 - Subsequent Events

On September 25, 2018, the School District issued general obligation bonds, in the amount of \$17,906,446, for improving and constructing school buildings and facilities. The bonds have an interest rate of 2.5 to 4 percent with a final maturity on December 1, 2048.

This page intentionally left blank.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

Federal Grantor/ Pass Through Grantor / Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through The Ohio Department of Education:</i>		
Child Nutrition Cluster:		
National School Breakfast Program	10.553	\$ 98,471
National School Lunch Program	10.555	589,449
Cash Assistance		687,920
Non-Cash Assistance (Food Distribution)	10.555	96,990
Total Child Nutrition Cluster		<u>784,910</u>
Total U.S. Department of Agriculture		<u>784,910</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through The Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	84.010	744,948
Special Education Cluster (IDEA):		
Special Education Grants to States	84.027	555,704
Total Special Education Cluster (IDEA)		<u>555,704</u>
Title II-A Improving Teacher Quality State Grants	84.367	24,021
Student Support and Academic Enrichment Program	84.424	13,297
Total – U.S. Department of Education		<u>1,337,970</u>
Total Federal Financial Assistance		<u>\$ 2,122,880</u>

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL 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 Elida Local School District (the School District) under programs of the federal government for the fiscal year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E – MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE F – PASS THROUGH FUNDS

The School District was awarded federal program allocations to be administered on their behalf by the Allen County Educational Service Center and Mercer County Educational Service Center. For 2018, the School District's allocation was as follows:

Special Education-Preschool Grants – CFDA #84.173	\$13,014
English Language Acquisition Grants – CFDA #84.365	\$3,774



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

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

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

April 16, 2019

Elida Local School District
Allen County
4380 Sunnydale Avenue
Elida, Ohio 45807

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 **Elida Local School District**, Allen County, (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 16, 2019, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Internal Control Over Financial Reporting (Continued)

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a significant deficiency. We consider finding 2018-002 to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 16, 2019.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the School District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio



Certified Public Accountants, A.C.

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

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

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

April 16, 2019

Elida Local School District
Allen County
4380 Sunnydale Avenue
Elida, Ohio 45807

To the Board of Education:

Report on Compliance for each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Auditor's Responsibility (Continued)

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

Opinion on each Major Federal Program

In our opinion, the Elida Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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.



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

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515**

1. SUMMARY OF AUDITOR'S RESULTS
--

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster – CFDA #10.553 & #10.555 Special Education Cluster (IDEA) CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515**

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

Finding Number 2018-001

Noncompliance

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

Ohio Rev. Code § 117.38 also provides that the financial report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The Auditor of State may extend the deadline for filing a financial report and establish terms and conditions for any such extension. The School District's filing date was August 29, 2018. The financial statements were filed on December 12, 2018 and an extension was not approved by the Auditor of State.

Ohio Admin. Code § 117-2-03(B) requires all school districts to file annual financial reports in accordance with generally accepted accounting principles. The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide users with more meaningful financial statements, the School District should prepare its financial statements in accordance with generally accepted accounting principles. The School District should implement a control(s) such as a reminder system, to help ensure the financial statements are filed by the required date.

OFFICIALS' RESPONSE: See Corrective Action Plan.

Finding Number 2018-002

Significant Deficiency

Salary Overpayment

Proper controls over the payroll process ensure that payrolls contain no errors, whether due to fraud or error.

In 2018, the School District discovered that the School District Librarian, Lori Grogan (the Employee), was overpaid a total of \$24,563.04 from September 2015 through August 2018 because of a clerical mistake. On February 5, 2019, a Memorandum of Understanding was signed by the Elida Local School District Board of Education (the Board), the Elida Education Association and the Employee that detailed a plan for repayment to the Board.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515**

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

Finding Number 2018-002 (Continued)

Salary Overpayment (Continued)

The total amount due to be repaid by the Employee was reduced by the following: \$7,050.04 to allow for an offset for uncompensated work previously performed by the Employee over the summer months in 2015, 2016, 2017 and 2018 and time worked with the Junior Library Guild; \$2,333 for the overpayment of taxes; \$945 for the previous purchase of educational supplies; and an agreement that the Employee work 25 hours per year, for the next five years, over and above the contracted days which is valued at \$5,000. The total of these reductions is \$15,328.04 for a remaining total owed of \$9,235.

The Employee has agreed to pay the \$9,235 through post tax payroll deductions. The payroll deductions shall occur each pay period, having commenced on February 28, 2019, in an amount equal to \$300 and shall continue until the total \$9,235 has been repaid.

If the Employee separates from employment with the Board before the total \$9,235 has been repaid, the Board will withhold the remaining amount owed from any salary or compensation that the Board may owe to her at the time the employment ends. If, following such reduction from the Employee's final pay, there remains a balance due to the Board, then the Employee must immediately pay the Board the remaining amount.

Without proper controls over payroll, variances, whether due to fraud or error, could occur. In addition, employees and the public could lose confidence in the Treasurer's office to properly manage School District finances.

We recommend the School District implement additional controls over the payroll process. Such controls may consist of the School District implementing additional checks and balances over all data input into the payroll system to help ensure accuracy.

OFFICIALS' RESPONSE: See Corrective Action Plan.

3. FINDINGS FOR FEDERAL AWARDS

None



Joel L. Parker, CPA
Treasurer
Joel@elida.k12.oh.us

*Inspired by Tradition,
Educating for Tomorrow*

Elida Local Schools
4380 Sunnydale Ave.
Elida, Ohio 45807
Phone: 419-331-4155
Fax: 419-331-1656

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Noncompliance Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) – Failure to file financial statements in accordance with Generally Accepted Accounting Principles (GAAP)	Not Corrected	Repeated as Finding 2018-001
2017-002	Noncompliance Cash Management	Corrected	None



Joel L. Parker, CPA
Treasurer
Joel@elida.k12.oh.us

*Inspired by Tradition,
Educating for Tomorrow*

Elida Local Schools
4380 Sunnydale Ave.
Elida, Ohio 45807
Phone: 419-331-4155
Fax: 419-331-1656

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The School District saves \$10,000 per year filing cash basis statements. This reporting method will continue.	N/A	Joel Parker, Treasurer
2018-002	Additional procedures have been put in place to detect such errors.	N/A	Joel Parker, Treasurer

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



ELIDA LOCAL SCHOOL DISTRICT

ALLEN 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
JUNE 11, 2019**