BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Bluffton Exempted Village School District
Allen County
102 South Jackson Street
Bluffton, Ohio 45817

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 the Bluffton Exempted Village 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bluffton Exempted Village 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 and thereof for the fiscal 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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

June 25, 2019

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

This discussion and analysis of Bluffton Exempted Village School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

HIGHLIGHTS

Key highlights for 2018 are as follows:

In total, net position increased $876,786, or a 15 percent change from the prior fiscal year. The School District's general receipts are primarily property taxes and unrestricted state entitlements, which make up 73 percent of the total cash received. Dependence on these two revenue sources is significant.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2018, within the limitations of cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. 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 and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors such as the School District's property tax base, the condition of the School District's capital assets and infrastructure, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net position and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, food services, extracurricular activities, and capital outlay disbursements.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

Governmental Funds – All of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs.

The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Debt Service Fund.

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

THE SCHOOL DISTRICT AS A WHOLE

Table 1 provides a summary of the School District's net position for fiscal year 2018 compared with fiscal year 2017:

(Table 1)
Net Position

	Governmental Activities 2018	Governmental Activities 2017
Assets		
Cash and Cash Equivalents	$6,537,170	$5,660,384
Net Position		
Restricted for:		
Debt Service	579,505	592,187
Capital Projects	240,143	398,567
Scholarships:		
Expendable	54,456	55,687
Other Purposes	50,298	33,566
Unrestricted	5,612,768	4,580,377
Total Net Position	$6,537,170	$5,660,384

As mentioned previously, net position of governmental activities increased $876,786, or 15 percent during fiscal year 2018, due in part, to an increase in open enrollment income, and property taxes levied.

Table 2 reflects the changes in net position for fiscal year 2018 compared with fiscal year 2017.

(Table 2)
Changes in Net Position

Cash Receipts:	Governmental Activities 2018	Governmental Activities 2017
Program Receipts:		
Charges for Services and Sales	$ 1,697,098	$ 1,502,873
Operating Grants and Contributions	739,275	732,650
Total Program Receipts	2,436,373	2,235,523
General Receipts:		
Property Taxes	4,039,168	3,989,543
Grants and Entitlements Not Restricted to Specific Programs	5,242,391	5,277,717
Income Taxes	846,994	804,945
Interest	54,801	28,001
Miscellaneous	121,358	116,410
Total General Receipts	10,304,712	10,216,616
Total Receipts	12,741,085	12,452,139

**(Table 2)
Changes in Net Position (Continued)**

Cash Disbursements:	Governmental Activities 2018	Governmental Activities 2017
Instruction:		
Regular	5,171,613	5,031,199
Special	816,280	795,508
Vocational	39,344	61,542
Other	353,878	514,374
Support Services:		
Pupil	453,623	411,190
Instructional Staff	170,651	154,926
Board of Education	37,763	31,864
Administration	870,589	828,715
Fiscal	299,009	280,598
Operation and Maintenance of Plant	1,351,880	1,493,089
Pupil Transportation	553,751	385,244
Central	24,914	28,243
Non-Instructional Services	2,336	2,627
Extracurricular Activities	350,887	343,840
Capital Outlay	273,109	5,269
Food Services	435,976	455,405
Debt Service:		
Principal Retirement	142,083	142,831
Interest and Fiscal Charges	516,613	539,825
Total Disbursements	11,864,299	11,506,289
(Decrease)/Increase in Net Position	876,786	945,850
Net Position, July 1, 2017	5,660,384	4,714,534
Net Position, June 30, 2018	$ 6,537,170	$ 5,660,384

Program receipts represent only 19 percent in fiscal year 2018 and 18 percent in fiscal year 2017 of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees, extracurricular activities, and food service sales. General receipts represent 81 percent in fiscal year 2018 and 82 percent of total receipts in fiscal year 2017, and of this amount, approximately 51 percent for fiscal year 2018 and 52 percent for fiscal year 2017 is the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Property taxes make up 39 percent in fiscal year 2018 and fiscal year 2017 of the School District's general receipts. The permanent improvement income tax makes up 8 percent of the general receipts in both fiscal year 2018 and 2017. Other receipts are very insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 54 percent in fiscal year 2018 and 56 percent of all governmental disbursements in fiscal year 2017. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for approximately 10 percent in fiscal year 2018 and 8 percent of governmental disbursements in fiscal year 2017.

Operation and maintenance of the School District's facilities also represents a significant expense, 11 percent in fiscal year 2018 and 13 percent in fiscal year 2017. Therefore, 75 percent in fiscal year 2018 and 77 percent in fiscal year 2017 of the School District's governmental disbursements are related to the primary functions of providing facilities and delivering education.

Governmental Activities - If you look at the Statement of Activities, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and support services, which account for 54 and 32 percent in fiscal year 2018 and 56 and 31 percent in fiscal year 2017, respectively. Debt services also represent a significant cost, approximately 6 percent in fiscal year 2018 and fiscal year 2017.

The next two columns of the Statement of Activities entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "Net Cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2018		2017	
Instruction				
Regular	$ 5,171,613	$ 3,833,024	$ 5,031,199	$ 3,886,486
Special	816,280	276,886	795,508	260,138
Vocational	39,344	38,572	61,542	60,745
Other	353,878	353,878	514,374	514,374
Support Services				
Pupil	453,623	453,623	411,190	411,190
Instructional Staff	170,651	139,812	154,926	127,139
Board of Education	37,763	37,763	31,864	31,864
Administration	870,589	870,589	828,715	828,715
Fiscal	299,009	299,009	280,598	280,598
Operation and Maintenance of Plant	1,351,880	1,351,880	1,493,089	1,493,089
Pupil Transportation	553,751	553,751	385,244	385,244
Central	24,914	24,914	28,243	28,243
Non-instructional Services	2,336	2,336	2,627	2,627
Extracurricular Activities	350,887	271,483	343,840	257,612
Capital Outlay	273,109	273,109	5,269	5,269
Food Services	435,976	(11,399)	455,405	14,777
Debt Service:				
Principal Retirement	142,082	142,082	142,831	142,831
Interest and Fiscal Charges	516,614	516,614	539,825	539,825
Total Expenses	$ 11,864,299	$ 9,427,926	$ 11,506,289	$ 9,270,766

The dependence upon property taxes and other general receipts is apparent as 79 percent in fiscal year 2018 and 81 percent in fiscal year 2017 of governmental activities are supported through these general receipts. Taxes and other general revenues supported instruction activities by 71 percent in fiscal year 2018 and 74 percent in fiscal year 2017. Operation of food services was fully funded by program receipts in fiscal year 2018 and was funded through general receipts by 3 percent in fiscal year 2017. In fiscal year 2018, 23 percent of extracurricular activities expenses are covered by program revenues and in fiscal year 2017, 25 percent is covered by program revenues. This is primarily due to music and athletic fees, ticket sales and gate receipts. It is apparent that the community, as a whole, is the primary support for the School District.

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts of $12,741,085 and disbursements of $11,864,299 net of transfers. The positive change of $876,786 in fund balance for the fiscal year indicates that the School District is financially sound.

GENERAL FUND BUDGETING HIGHLIGHTS

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

During the course of fiscal year 2018, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts including other financing sources were budgeted at $9,960,272 while actual receipts were $10,392,495. The difference between final budgeted receipts and actual receipts was primarily due to increased open enrollment revenue and intergovernmental receipts.

Final disbursements including other financing uses were budgeted at $14,546,613 while actual disbursements were $9,483,711. The School District was able to restrict spending below what was anticipated. The School District experienced lower instruction and support services expenditures than expected and also had only $4,500 in capital outlay expenditures that was $3,317,664 lower than expected. The School District appropriates conservatively in order to cover expenditures.

DEBT ADMINISTRATION

At June 30, 2018, the School District's outstanding debt included $1,506,786 in general obligation bonds issued for improvements to buildings and structures, $1,115,000 in library construction bonds, $136,546 in an energy conservation loan. For further information regarding the School District's debt, refer to Notes 13 and 14 to the basic financial statements.

CURRENT ISSUES

The challenge for all School Districts is to provide quality education to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts deficit spending for fiscal year 2020; therefore, the administration will continue to look for ways to delay the deficit by reducing expenditures through wise spending.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Paula M. Parish, Treasurer, Bluffton Exempted Village School District, 102 South Jackson St., Bluffton, Ohio 45817.

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BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$6,537,170
Total Assets	6,537,170
Net Position:	
Restricted for:	
Debt Service	579,505
Capital Projects	240,143
Other Purposes	50,298
Scholarships:	
Expendable	54,456
Unrestricted	5,612,768
Total Net Position	$6,537,170

See accompanying notes to the basic financial statements.

BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY

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

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
Governmental Activities	**Cash Disbursements**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Current:				
Instruction:				
Regular	$5,171,613	$1,298,734	$39,855	($3,833,024)
Special	816,280		539,394	(276,886)
Vocational	39,344		772	(38,572)
Other	353,878			(353,878)
Support Services:				
Pupil	453,623			(453,623)
Instructional Staff	170,651		30,839	(139,812)
Board of Education	37,763			(37,763)
Administration	870,589			(870,589)
Fiscal	299,009			(299,009)
Operation and Maintenance of Plant	1,351,880			(1,351,880)
Pupil Transportation	553,751			(553,751)
Central	24,914			(24,914)
Non-Instructional Services	2,336			(2,336)
Extracurricular Activities	350,887	79,404		(271,483)
Capital Outlay	273,109			(273,109)
Food Services	435,976	318,960	128,415	11,399
Debt Services:				
Principal Retirement	142,083			(142,083)
Interest and Fiscal Charges	516,613			(516,613)
Total Governmental Activities	11,864,299	1,697,098	739,275	(9,427,926)

General Receipts	
Property Taxes Levied for:	
General Purposes	3,569,790
Debt Service	469,378
Income Taxes	846,994
Grants and Entitlements not Restricted to Specific Programs	5,242,391
Interest	54,801
Miscellaneous	121,358
Total General Receipts	10,304,712
Change in Net Position	876,786
Net Position Beginning of Year	5,660,384
Net Position End of Year	$6,537,170

See accompanying notes to the basic financial statements

BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$5,612,768	579,505	344,897	6,537,170
Total Assets	$5,612,768	$579,505	$344,897	$6,537,170
Fund Balances				
Restricted		579,505	344,897	924,402
Assigned	5,551,413			5,551,413
Unassigned	61,355			61,355
Total Fund Balances	$5,612,768	$579,505	$344,897	$6,537,170

See accompanying notes to the basic financial statements

BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Cash Receipts				
Property Taxes	$3,569,790	$469,378		$4,039,168
Income Taxes			$846,994	846,994
Intergovernmental	5,386,331	134,358	460,977	5,981,666
Interest	46,995	3,947	3,859	54,801
Tuition	1,245,355			1,245,355
Classroom Materials and Fees	53,379			53,379
Extracurricular Activities			79,404	79,404
Charges for Services			318,961	318,961
Miscellaneous	90,645		30,714	121,359
Total Cash Receipts	10,392,495	607,683	$1,740,909	12,741,087
Cash Disbursements				
Current:				
Instruction:				
Regular	4,985,301		186,312	5,171,613
Special	561,248		255,031	816,279
Vocational	39,344			39,344
Other	353,878			353,878
Support Services:				
Pupil	453,623			453,623
Instructional Staff	139,622		31,029	170,651
Board of Education	37,763			37,763
Administration	870,589			870,589
Fiscal	277,531	8,775	12,705	299,011
Operation and Maintenance of Plant	922,102		429,778	1,351,880
Pupil Transportation	376,569		177,182	553,751
Central	24,915			24,915
Operation of Non-Instructional Services	336		2,000	2,336
Operation of Food Services			435,976	435,976
Extracurricular Activities	271,641		79,246	350,887
Capital Outlay	4,500		268,609	273,109
Debt Service:				
Principal Retirement		142,083		142,083
Interest and Fiscal Charges		516,613		516,613
Total Cash Disbursements	9,318,962	667,471	1,877,868	11,864,301
Excess of Receipts Over (Under) Disbursements	1,073,533	(59,788)	(136,959)	876,786
Other Financing Sources (Uses)				
Transfers In		47,106		47,106
'Transfers Out	(47,106)			(47,106)
Total Other Financing Sources (Uses)	(47,106)	47,106		
Net Change in Fund Balances	1,026,427	(12,682)	(136,959)	876,786
Fund Balances Beginning of Year	4,586,341	592,187	481,856	5,660,384
Fund Balances End of Year	$5,612,768	$579,505	$344,897	$6,537,170

See accompanying notes to the basic financial statements

BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Receipts				
Property Taxes	$3,502,000	$3,502,000	$3,569,790	$67,790
Intergovernmental	5,258,080	5,258,080	5,386,331	128,251
Interest	19,675	19,675	46,995	27,320
Tuition	1,050,000	1,050,000	1,245,355	195,355
Classroom Material and Fees	53,000	56,367	53,379	(2,988)
Miscellaneous	71,150	64,150	64,917	767
Total Cash Receipts	9,953,905	9,950,272	10,366,767	416,495
Disbursements				
Current:				
Instruction:				
Regular	5,574,690	5,560,806	5,007,465	553,341
Special	903,692	903,692	566,248	337,444
Vocational	100,000	100,000	69,344	30,656
Adult/Continuing	1,000	1,000		1,000
Other	540,000	540,000	353,878	186,122
Support Services:				
Pupil	515,867	515,867	458,623	57,244
Instructional Staff	160,760	162,010	141,367	20,643
Board of Education	68,700	68,700	37,763	30,937
Administration	998,674	1,008,674	874,540	134,134
Fiscal	310,960	310,960	277,964	32,996
Operation and Maintenance of Plant	1,138,214	1,138,214	935,387	202,827
Pupil Transportation	499,739	499,739	412,870	86,869
Central	35,350	35,350	24,915	10,435
Extracurricular Activities	281,430	281,931	271,741	10,190
Capital Outlay	3,323,664	3,322,164	4,500	3,317,664
Total Disbursements	14,452,740	14,449,107	9,436,605	5,012,502
Excess of Receipts Over (Under) Disbursements	(4,498,835)	(4,498,835)	930,162	5,428,997
Other Financing Sources (Uses)				
Transfers Out	(97,506)	(97,506)	(47,106)	50,400
Refund of Prior Year Expenditures	10,000	10,000	25,728	15,728
Total Other Financing Sources (Uses)	(87,506)	(87,506)	(21,378)	66,128
Net Change in Fund Balance	(4,586,341)	(4,586,341)	908,784	5,495,125
Fund Balance Beginning of Year	4,460,413	4,460,413	4,460,413	
Prior Year Encumbrances Appropriated	125,928	125,928	125,928	
Fund Balance End of Year	$0	$0	$5,495,125	$5,495,125

See accompanying notes to the basic financial statements

BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY

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

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$10,463	$63,468
Net Position		
Held for Students		63,468
Held in Trust for Scholarships:		
Expendable	463	
Non expendable	10,000	
Total Net Position	$10,463	$63,468

See accompanying notes to the basic financial statements

BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY

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

	Private Purpose Trust
Additions	
Investment Income	$79
Total Additions	79
Change in Net Position	79
Net Position - Beginning of Year	10,384
Net Position - End of Year	$10,463

See accompanying notes to the basic financial statements

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1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1861 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 57.5 square miles. It is located in Allen and Hancock counties and includes the entire Village of Bluffton, all of Richland Township, and portions of Monroe and Orange Townships. The School District is the 428 largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 41 classified employees, 68 certified teaching personnel, and 6 administrative employees who provide services to 1186 students and other community members. The School District currently operates 3 buildings.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities.

B. Component Units

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. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

C. Jointly Governed Organizations

The School District participates in three jointly governed organizations and two public entity risk pools, and is associated with a related organization. These organizations are the Apollo Career Center, Northwest Ohio Area Computer Services Cooperative (NOACSC), Northwestern Ohio Educational Research Council, Inc., Council of Allen County Schools Health Benefits Consortium, Ohio School Boards Association Workers' Compensation Group Rating Plan, and Bluffton Public Library. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of 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.

1. 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 statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District reports no business type activities.

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 government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. 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.

2. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund and Debt Service 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.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

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

2. Fiduciary 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. The School District's Agency Fund accounts for various student-managed activities.

C. Basis of Accounting

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

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the five year forecast, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The five year forecast demonstrates a need for existing or increased tax rates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund, function, object, level for all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The 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 amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation 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 appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

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

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.

During fiscal year 2018, investments were limited to STAR Ohio. 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2018.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2018 was $46,995, which includes $1,485 assigned from other funds. Other School District funds had interest receipts of $7,806.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Net Position

Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position was restricted for debt service, capital projects and scholarships. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to disbursement for specified purposes.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net positions are available.

G. Inventory And Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Pensions/Other Post Employment Benefits (OPEB)

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

L. Long-Term Obligations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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:

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

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

<u>Committed</u> - 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.

<u>Assigned</u> - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

N. Interfund Transactions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2018, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 11 to the basic financial statements.

3. COMPLIANCE

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

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 Change in Fund Balance – Budget and Actual – (Budget Basis) presented for the General Fund is prepared on the budget basis to provide a meaningful comparison of actual results with the budget.

The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget basis) rather than as restricted or assigned fund balance (cash basis).

The adjustments necessary to reconcile the cash and budget basis statements for the General Fund are as follows:

Difference in Fund Balance	
Cash Basis	$ 5,612,768
Increase (Decrease) Due To:	
Encumbrances Outstanding at Fiscal Year End	(117,643)
Budget Basis	$ 5,495,125

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

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

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

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

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

5. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the School District had $600 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

A. Deposits - At fiscal year end, the carrying amount of the School District's deposits was $5,904,008. Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District’s bank balance of $6,215,307 was not exposed to custodial credit risk because it was insured through the Federal Deposit Insurance Corporation (FDIC) and a $1,500,000 Letter of Credit, with the School District listed as beneficiary, through the Federal Home Loan Bank of Cincinnati.

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

B. Investments - As of June 30, 2018, the investment with Star Ohio was $706,493. STAR Ohio carries a rating of AAA by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Property tax receipts received in 2018 for real and public utility property taxes represents collections of the 2017 taxes. 2018 real property taxes are levied after October 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. 2018 real property taxes collected after June 30, 2018 are intended to finance 2019.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien on December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes.

6. PROPERTY TAXES (Continued)

The School District receives property taxes from Allen and Hancock counties. The County Auditors periodically advance 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 Property:				
Agricultural/Residential	$120,680,380	78.94%	$121,700,450	79.57%
Industrial/Commercial	20,066,380	13.12%	20,313,520	13.28%
Public Utility Property	0	.00%	0	.00%
Tangible/Utility Personal Property	12,134,990	7.94%	10,929,880	7.15%
Total Assessed Value	$152,881,750	100.00%	$152,943,850	100.00%
Tax rate per $1,000 of assessed valuation	$41.167		$41.281	

7. INCOME TAXES

The School District levies a voted tax of one-half percent for permanent improvements on the income of residents and of estates. The tax was effective on January 1, 2008, and is renewed by the voters in three year increments through December 31, 2019. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the Permanent Improvement Fund.

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 with Schools of Ohio Risk Sharing Authority for the following insurance coverage:

Building and Contents - Replacement Cost	$ 44,737,561
Automobile Liability	15,000,000
General Liability	
Per Occurrence	15,000,000
Aggregate	17,000,000

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.

8. RISK MANAGEMENT (Continued)

The School District participates in the Council of Allen County Schools Health Benefits Consortium (Note 18), a public entity shared risk pool consisting of the local school districts within Allen County. 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. 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.

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) (Note 18), an insurance purchasing pool. The intent of the GRP 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 GRP. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the GRP.

Each member pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each member's individual performance is compared to the overall savings of the GRP. A member will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each member share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that meet GRP's selection criteria. The form of Comp Management provides administrative, cost control, and actuarial services to the GRP.

9. TAX ABATEMENTS

The School District's property taxes were reduced as follows under enterprise zone agreements:

Enterprise Zone Agreements	Amount of Fiscal Year 2018 Taxes Abated
BTMS Investments LLC (Diamond Manufacturing)	$5,730.25

10. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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

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

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

B. Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $172,645 for fiscal year 2018.

C. Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 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 $644,860 for fiscal year 2018.

D. 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 contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.03638070%	0.03979500%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.03596360%	0.03958085%	
Change in Proportionate Share	-0.00041710%	-0.00021415%	
Proportionate Share of the Net			
Pension Liability	$2,148,746	$9,402,516	$11,551,262

10. Defined Benefit Pension Plans (Continued)

E. Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$2,981,901	$2,148,746	$1,450,808

10. DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions - STRS

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

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

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

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

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

10. Defined Benefit Pension Plans (Continued)

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$13,478,186	$9,402,516	$5,969,374

10. DEFINED BENEFIT PENSION PLANS (Continued)

G. 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.

11. DEFINED BENEFIT OPEB PLANS

A. Net OPEB Liability

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

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

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

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

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

11. DEFINED BENEFIT OPEB PLANS (Continued)

B. Plan Description - School Employees Retirement System (SERS)

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

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

Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $20,808.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $82,467 for fiscal year 2018.

11. DEFINED BENEFIT OPEB PLANS (Continued)

C. Plan Description - State Teachers Retirement System (STRS)

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

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

D. Net OPEB Liability

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

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04356553%	0.03979500%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.03653070%	0.03958085%	
Change in Proportionate Share	-0.00703483%	-0.00021415%	
Proportionate Share of the Net			
Pension Liability	$980,388	$1,544,299	$2,524,687

E. Actuarial Assumptions - SERS

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

11. DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

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

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

11. DEFINED BENEFIT OPEB PLANS (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025.

Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$1,183,943	$980,388	$819,120

11. DEFINED BENEFIT OPEB PLANS (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	$795,511	$980,388	$1,225,075

F. Actuarial Assumptions - STRS

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

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

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

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

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

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

11. DEFINED BENEFIT OPEB PLANS (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 premium reimbursements was extended to January 2020.

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

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

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

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

11. DEFINED BENEFIT OPEB PLANS (Continued)

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$2,073,196	$1,544,299	$1,126,297

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$1,072,913	$1,544,299	$2,164,698

12. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

Transfers to Major Debt Service funds from:	
General Fund	$ 47,106

Transfers are used to move unrestricted cash receipts collected in the general fund to other funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. Advances can be made between the General Fund and the other governmental non major funds. The School District did not have advances for the year ended June 30, 2018.

Interfund transfers and advances between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers or advances are reported on the statement of activities.

13. LONG TERM OBLIGATIONS

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

Governmental Activities	Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18	Due Within One Year
General Obligation Bonds					
2005 School Improvement					
Capital Appreciation Bonds – 25.6%	$51,067		$21,248	$29,819	$16,698
Accretion on Capital Bonds	857,875		240,908	616,967	
2015 School Improvement Private Placement Bonds	865,000		5,000	860,000	5,000
Total School Improvement Bonds	1,773,942	0	267,156	1,506,786	21,698
Library Construction Bonds-	1,190,000		75,000	1,115,000	75,000
Energy Conservation Financing 2006 HB 264 Loan – 3.947%	177,381		40,835	136,546	42,478
Total Governmental Activities Long-Term Liabilities	$3,141,323	$0	$382,991	$2,758,332	$ 139,176

2015 School Improvement Refunding Bonds – On March 12, 2015, the School District refinanced the $885,000 Term Bonds, which were part of the 2005 School Improvement Bonds, with the issuance of $885,000 in Private Placement Term Bonds. This transaction resulted in a savings to local taxpayers of $62,023.20 over the life of the bonds.

2005 School Improvement Bonds – On May 3, 2005, the School District defeased a 1997 School Improvement Bond Issue with the issuance of $5,034,641 in general obligation bonds. The bond issue included serial and term current interest bonds, and capital appreciation bonds in the amount of $4,070,000, $885,000 and $79,641, respectively.

The serial bonds matured in December 2015.

Term Bonds - The $885,000 term bonds were refinanced March 12, 2015 with the issuance of the 2015 School Improvement Refunding Bonds.

The capital appreciation bonds are not subject to redemption until maturity and will mature in fiscal years 2019 through 2020. The maturity amount of the bonds is $880,000. For fiscal year 2018, the accretion was $240,908 and the total accreted bond value was $646,786.

2002 Library Construction and Improvement Bonds - On February 1, 2002, Library Construction and Improvement Bonds were issued in the amount of $1,965,000 for the purpose of renovating, improving and constructing an addition to the Bluffton-Richland Public Library. These bonds are payable from a voted debt service tax levied on all taxable property in the School District.

13. LONG TERM OBLIGATIONS (Continued)

Energy Conservation HB264 Loan – the loan was obtained for energy conserving measures in accordance with the House Bill 264 School Energy Conservation Financing Program, at a 5% rate of interest. The School District was awarded $519,301. Of this amount $309,811 was received in fiscal year 2007 and $209,648 was received in fiscal year 2006. The loan will be retired from the debt service fund with payments beginning in August 2006. On July 15, 2011, the School District refinanced the Energy Conservation HB264 Loan, in the amount of $388,593 at a 3.947% fixed rate of interest, maturing on July 15, 2021.

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

	General Obligation Bonds			
Fiscal Year	Library Serial		Private Placement	
Ending	Principal	Interest	Principal	Interest
2019	$75,000	$59,262	$5,000	$ 28,040
2020	80,000	55,000	5,000	27,877
2021	85,000	50,463	430,000	20,765
2022	90,000	45,650	420,000	6,867
2023	95,000	40,563		
2024-2028	560,000	116,325		
2029	130,000	3,575		
Totals	$1,115,000	$370,838	$860,000	$83,549

	General Obligation Bonds Capital Appreciation	
Fiscal Year Ending	Principal	Interest
2019	16,698	423,302
2020	13,121	426,879
Totals	$29,819	$850,181

	Energy Conservation HB264 Loan	
Fiscal Year Ending	Principal	Interest
2019	42,479	4,627
2020	44,179	2,927
2021	45,961	1,145
2022	3,927	12
Totals	$136,546	$8,711

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

13. LONG TERM OBLIGATIONS (Continued)

The School District has defeased the 1997 School Improvement bond Issue by placing cash with a trustee in an amount sufficient to pay all debt principal and interest when they come due. The principal amount of the defeased debt outstanding at June 30, 2018 was $889,819. The cash and investments held by the trustee are not included in the School District's assets nor are the outstanding bonds included above.

The School District's overall debt margin was $12,203,087 with an unvoted debt margin of $152,944 at June 30, 2018.

14. OPERATING LEASE

The School District leases two parcels of land under a cancelable lease with the final payment due in fiscal year 2018. The School District disbursed $4,500 to pay the final lease costs for the fiscal year ended June 30, 2018.

15. SET ASIDE REQUIREMENTS

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

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

	Capital Improvements
Set Aside Reserve Balance June 30, 2018	
Current Year Set Aside Requirement	$209,378
Current Year Offsets	(209,378)
Current Year Qualifying Expenditures	
Total	
Amount Carried Forward to Fiscal Year 2019	

16. 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:

16. FUND BALANCE (Continued)

Fund Balance	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Athletics			$22,371	$22,371
Food Service Operations			26,678	26,678
Scholarships			54,456	54,456
Capital Improvements			240,143	240,143
Grants			1,249	0
Debt Service		$579,505		579,505
Total Restricted		579,505	344,897	924,402
Assigned for:				
Sub. Year Appropriations	$5,433,771			5,433,771
Unpaid Obligations	117,642			117,642
Total Assigned	5,551,413			5,551,413
Unassigned:	61,355			61,355
Total Fund Balance	$5,612,768	$579,505	$344,897	$6,537,170

17. JOINTLY GOVERNED ORGANIZATIONS

A. Apollo Career Center

The Apollo Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Career Center, Maria Rellinger, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

B. Northwest Ohio Area Computer Services Cooperative

The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among member school districts, including both public school districts and county boards of education, in Allen, Auglaize, Hancock, Mercer, Paulding, Putnam, and Van Wert counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each school supports NOACSC based upon a per pupil charge. The Governing Board of NOACSC consists of two representatives from each county and one representative from the fiscal agent. The representatives from each county are elected by a majority vote of all county member schools. Financial information can be obtained from Ray Burden, Director, at 4277 East Road, Elida, Ohio 45807.

C. Northwestern Ohio Educational Research Council, Inc.

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

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

18. PUBLIC ENTITY RISK POOLS

A. Council of Allen County Schools Health Benefits Consortium

The School District participates in the Council of Allen County Schools Health Benefits Consortium (the Program), a public entity shared risk pool consisting of the school districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts.

Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, Gallagher Benefits, concerning aspects of the administration of the Trust.

Each school district decides which plan offered by the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Craig Kupferberg, Superintendent, Allen County ESC and Chairman of the Council of Allen County Schools Health Benefits Consortium, 1920 Slabtown Road, Lima, Ohio 45801.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

19. RELATED ORGANIZATION

Bluffton Public Library

The Bluffton Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies.

19. RELATED ORGANIZATION (Continued)

Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Bluffton Public Library, James Weaver, Fiscal Officer, at 145 S. Main Street, Bluffton, Ohio 45817.

20. CONTINGENT LIABILITIES

A. Grants - Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

B. Full-Time Equivalency Review - school district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School District. As a result of the fiscal year 2019 reviews, the School District has a negative adjustment of $3,722.66 from ODE. This amount has not been included in the financial statements.

OHIO AUDITOR OF STATE
KEITH FABER

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

Bluffton Exempted Village School District
Allen County
102 South Jackson Street
Bluffton, Ohio 45817

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bluffton Exempted Village School District, Allen County, Ohio (the School District) as of and for the fiscal 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 June 25, 2019, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

June 25, 2019

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

FINDING NUMBER 2018-001

Noncompliance Citation

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 further clarifies the requirements of Ohio Rev. Code § 117.38.

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

Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its financial statements according to generally accepted accounting principles.

OFFICIALS' RESPONSE:

The Bluffton Exempted Village School District plans to continue reporting using the cash basis of accounting as directed by the Board of Education on September 15, 2003. Financial Statements are prepared using the GASB 34/Other Comprehensive Basis of Accounting (OCBOA) format because the School District believes this to be more cost efficient.

Bluffton Exempted Village Schools

102 S. Jackson Street, Bluffton, Ohio 45817-1293
(419)358-5901 FAX (419) 358-4871
Dr. Gregory J. Denecker, Superintendent
Paula M. Parish, Treasurer

Finding Number	Finding Summary	Status	Additional Information
2017-001	**Ohio Rev. Code § 117.38** and **Ohio Admin Code § 117-2-03(B) –** Failed to file annual financial reports using generally accepted accounting principles. First reported in fiscal year 2003.	Not Corrected	The School District acknowledges this requirement but will continue to report on the cash basis in order to save resources for the District Will be repeated as 2018-001.

OHIO AUDITOR OF STATE
KEITH FABER

BLUFFTON EXEMPTED VILLAGE 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
AUGUST 1, 2019