LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

Board of Education
Licking Heights Local School District
6539 Summit Road SW
Pataskala, Ohio 43062-0027

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

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

Keith Faber
Auditor of State
Columbus, Ohio

March 6, 2019

This page intentionally left blank.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO

TABLE OF CONTENTS

This page intentionally left blank.

Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Licking Heights Local School District
Licking County
6539 Summit Road SW
Pataskala, Ohio 43062

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Heights Local School District, Licking County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Licking Heights Local 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 accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Licking Heights Local 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 Licking Heights Local 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Heights Local School District, Licking County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during fiscal year 2018, the Licking Heights Local School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the Licking Heights Local 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 Licking Heights Local School District's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 20, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

This discussion and analysis of the Licking Heights Local 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. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- At fiscal year-end, the School District's Net Position totaled $1.2 million, a $45.6 million increase in comparison with the prior fiscal year.
- General and Program-specific revenues totaled $74.7 million and $4.9 million, respectively.
- The School District had $34.0 million in expenses. As stated above, only $4.9 million of these expenses were offset by program revenues. The net expenses of the School District's programs are funded by general revenues, consisting primarily of property taxes and unrestricted grants and entitlements.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the School District only reports governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including, but not limited to, instruction, support services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Bond Retirement Fund, Building Fund and Classroom Facilities Fund.

Governmental Funds

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

Proprietary Fund

The School District utilizes one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for the management of its medical, prescription drug and dental self-insurance activities. Because this service predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

The School District's fiduciary funds are two agency funds used to account for student-managed activities and athletic tournament revenues and expenditures. The School District's fiduciary funds are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in this fund are used for its intended purpose. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 27 of this report.

(This space was intentionally left blank.)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $1.2 million (net position) at the close of the current fiscal year.

An analysis of fiscal year 2018 in comparison with fiscal year 2017 follows for the Statement of Net Position:

	2018	2017	Change
Current Assets	$ 122,451,315	$ 40,645,991	201.26%
Capital Assets	55,627,204	55,971,892	-0.62%
Total Assets	178,078,519	96,617,883	84.31%
Unamortized Amount on Refunding	1,470,723	1,759,581	-16.42%
Pension	19,177,404	16,716,025	14.72%
OPEB	945,318	89,303	958.55%
Total Deferred Outflows of Resources	21,593,445	18,564,909	16.31%
Current Liabilities	5,123,725	3,485,584	47.00%
Long-term Liabilities:			
Due Within One Year	5,363,419	3,614,724	48.38%
Due in More Than One Year:			
Net Pension Liability	44,792,364	58,043,321	-22.83%
Net OPEB Liability	10,166,681	11,941,665	-14.86%
Other Amounts Due in More Than One Year	107,548,446	61,552,387	74.73%
Total Liabilities	172,994,635	138,637,681	24.78%
Property and Other Local Taxes	22,797,870	20,845,449	9.37%
Pension	1,489,326	-	100.00%
OPEB	1,140,361	-	100.00%
Total Deferred Inflows of Resources	25,427,557	20,845,449	21.98%
Net Investment in Capital Assets	(2,346,991)	(1,208,302)	-94.24%
Restricted	27,142,575	3,355,451	708.91%
Unrestricted	(23,545,812)	(46,447,487)	49.31%
Total Net Position	$ 1,249,772	$ (44,300,338)	102.82%

Current Assets and Other Long-Term Liabilities both increased significantly in comparison with the prior fiscal year-end. This increase is primarily the result of an increase in Investments, Intergovernmental Receivables and Bonds Payable related to the School District's classroom facilities construction project.

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from negative $32.4 million to negative $44.3 million.

The net pension and net OPEB liabilities and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

(This space was intentionally left blank.)

An analysis of fiscal year 2018 in comparison with fiscal year 2017 follows for the Statement of Activities:

Governmental Activities

	2018	2017	Percent Change
Program Revenues			
Charges for Services	$ 1,618,227	$ 1,756,084	-7.85%
Operating Grants and Contributions	3,248,541	2,724,100	19.25%
General Revenues			
Property Taxes	31,320,231	23,587,294	32.78%
Revenue in Lieu of Taxes	5,426,085	3,015,543	79.94%
Grants and Entitlements not Restricted to Specific Programs	36,582,382	15,412,230	137.36%
Investment Earnings	583,440	87,208	569.02%
Miscellaneous	818,126	974,657	-16.06%
Total Revenues	79,597,032	47,557,116	67.37%
Program Expenses			
Instruction	15,553,726	28,579,926	-45.58%
Support Services	11,655,054	14,323,391	-18.63%
Non-Instructional Services	1,855,968	1,805,708	2.78%
Extracurricular Activities	681,787	753,164	-9.48%
Interest and Fiscal Charges	4,300,387	2,923,918	47.08%
Total Expenses	34,046,922	48,386,107	-29.63%
Change in Net Position	45,550,110	(828,991)	
Net Position at Beginning of Year	(44,300,338)	N/A	
Net Position at End of Year	$ 1,249,772	$ (44,300,338)	

Operating Grants increased significantly in comparison with the prior fiscal year. This increase is primarily the result of the School District's additional special education funds from the Ohio Department of Education.

Property Taxes and Revenue in Lieu of Taxes both increased significantly in comparison with the prior fiscal year. These increases are primarily the result of the new bond levy approved in May of 2017 and an increase in amounts available as an advance at fiscal year-end.

Unrestricted Grants and Entitlements also increase significantly. This increase is the result of the School District's $20.8 million Ohio Facilities Construction Commission grant award.

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $89,303 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $1.4 million. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	$ 34,046,922
Negative OPEB expense under GASB 75	1,377,285
2018 contractually required contribution	113,353
Adjusted 2018 operating expenses	35,537,560
Total 2017 operating expenses under GASB 45	48,386,107
Decrease in operating expenses not related to OPEB	$ (12,848,547)

Total Expenses decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in pension expense from $7.0 million in fiscal year 2017 to negative $11.1 million in fiscal year 2018. This decrease is primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the costs of program services and the net cost of those services after taking into account program revenues. General revenues including tax revenue, unrestricted State entitlements and investment earnings must support the net cost of program services.

An analysis of fiscal year 2018 in comparison with fiscal year 2017 follows:

	Total Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2018	Net Cost of Services 2017
Program expenses				
Instruction	15,553,726	28,579,926	$ 13,321,702	$ 26,552,234
Support Services	11,655,054	14,323,391	11,597,678	14,253,104
Non-Instructional Services	1,855,968	1,805,708	(231,679)	(152,768)
Extracurricular Activities	681,787	753,164	192,066	329,435
Interest and Fiscal Charges	4,300,387	2,923,918	4,300,387	2,923,918
Total	$ 34,046,922	$ 48,386,107	$ 29,180,154	$ 43,905,923

Financial Analysis of the School District's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of $73.1 million, an increase of $60.8 million in comparison with the prior fiscal year. The School District had an unassigned fund balance of $5.0 million. The remaining fund balance is either not in a spendable form ($57,581), restricted by external third parties for specific purposes ($58.8 million) or assigned by the School District for specific purposes ($9.2 million).

An analysis of fiscal year 2018 in comparison with fiscal year 2017 follows:

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Variance
General Fund	$ 13,306,176	$ 8,186,389	$ 5,119,787
Bond Retirement Fund	4,562,551	1,875,225	2,687,326
Building Fund	39,202,214	-	39,202,214
Classroom Facilities Fund	13,105,947	-	13,105,947
Other Governmental Funds	2,943,633	2,270,677	672,956
Total Governmental Funds	$ 73,120,521	$ 12,332,291	$ 60,788,230

General Fund - The General Fund is the chief operating fund of the School District. At the end of current fiscal year, fund balance in the School District's General Fund totaled $13.3 million, an increase of $5.1 million in comparison with the prior fiscal year. This increase is primarily the result of an increase in Property Taxes and Revenue in Lieu of Taxes.

Bond Retirement Fund - Fund balance in the Bond Retirement Fund increased $2.7 million during the fiscal year. This increase represents the amount in which current year property tax and related revenues exceeded debt service expenditures and net bond refunding proceeds.

Building Fund - Fund balance in the Building Fund increased $39.2 million during the fiscal year. This increase represents the amount in which new bond proceeds exceeded capital outlays.

Classroom Facilities Fund - Fund balance in the Classroom Facilities Fund increased $13.1 million during the fiscal year. This increase represents the amount in which new bond proceeds and grant revenues exceeded capital outlays.

General Fund Budget Information

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

For the General Fund, original budgeted expenditures and other financing uses were increased by $2,550. Actual revenues and other financing sources exceeded the final budgeted revenues and other financing sources by $5.0 million, primarily due to underestimating property tax and intergovernmental receipts, while final budgeted expenditures and other financing uses exceeded actual expenditures and other financing uses by $240,350, primarily due to conservative budgeting.

Capital Assets

At the end of the fiscal year, the School District had $55.6 million (net of accumulated depreciation) invested in capital assets, a decrease of $344,688 in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation ($2.0 million) exceeded capital acquisitions ($1.7 million). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

Debt

At the end of the fiscal year, the School District had total bonded debt outstanding of $103.4 million, an increase of $48.2 million in comparison with the prior fiscal year. This increase represents the amount in which current year issuances ($60.1 million) and accretion ($885,064) exceeded current year principal payments ($3.2 million), amortization ($634,315) and refundings ($9.0 million).

Detailed information regarding long-term obligations is included in Note 14 to the basic financial statements.

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 show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Todd Griffith, Treasurer, at Licking Heights Local School District, 6539 Summit Road SW, Pataskala, Ohio 43062.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	$ 22,316,345
Investments	49,441,656
Receivables:	
Property Taxes	30,222,612
Revenue in Lieu of Taxes	2,341,108
Intergovernmental	17,986,206
Accounts	30,899
Interest	42,649
Prepaid Items	57,581
Materials and Supplies Inventory	12,259
Nondepreciable Capital Assets	3,833,531
Depreciable Capital Assets, Net	51,793,673
Total Assets	178,078,519
Deferred Outflows of Resources	
Unamortized Amount on Refunding	1,470,723
Pension	19,177,404
OPEB	945,318
Total Deferred Outflows of Resources	21,593,445
Liabilities	
Accounts Payable	249,330
Accrued Wages and Benefits Payable	3,013,506
Intergovernmental Payable	586,132
Accrued Interest Payable	744,657
Claims Payable	530,100
Long-Term Liabilities	
Due within One Year	5,763,419
Due in More Than One Year:	
Net Pension Liability	44,792,364
Net OPEB Liability	10,166,681
Other Amounts Due in More Than One Year	107,148,446
Total Liabilities	172,994,635
Deferred Inflows of Resources	
Property and Other Local Taxes	22,797,870
Pension	1,489,326
OPEB	1,140,361
Total Deferred Inflows of Resources	25,427,557
Net Position	
Net Investment in Capital Assets	(2,346,991)
Restricted for:	
Debt Service	3,901,514
Permanent Improvements	1,131,832
Capital Projects	21,284,689
Food Service	664,351
Special Trust	7,522
Other Local Grants	2,437
Extracurricular Activities	86,030
State and Federal Grants	64,200
Unrestricted	(23,545,812)
Total Net Position	$ 1,249,772

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

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

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction				
Regular	$ 10,832,092	$ 351,409	$ 131,837	$ (10,348,846)
Special	4,696,963	119,337	1,628,429	(2,949,197)
Vocational	2,334	-	-	(2,334)
Other	22,337	1,012	-	(21,325)
Support Services				
Pupils	1,449,039	4,500	40,151	(1,404,388)
Instructional Staff	458,429	-	3,725	(454,704)
Board of Education	45,279	-	-	(45,279)
Administration	1,247,869	-	-	(1,247,869)
Fiscal	799,970	-	-	(799,970)
Operation and Maintenance of Plant	2,731,253	-	-	(2,731,253)
Pupil Transportation	3,753,100	-	-	(3,753,100)
Central	1,170,115	-	9,000	(1,161,115)
Non-Instructional Services	1,855,968	709,322	1,378,325	231,679
Extracurricular Activities	681,787	432,647	57,074	(192,066)
Interest and Fiscal Charges	4,300,387	-	-	(4,300,387)
Total Governmental Activities	$ 34,046,922	$ 1,618,227	$ 3,248,541	(29,180,154)

General Revenues	
Property Taxes Levied for:	
General Purposes	22,723,480
Debt Service	7,547,886
Permanent Improvement	1,048,865
Revenue in Lieu of Taxes	5,426,085
Grants & Entitlements not Restricted to Specific Programs	36,582,382
Investment Earnings	583,440
Miscellaneous	818,126
Total General Revenues	74,730,264
Change in Net Position	45,550,110
Net Position Beginning of Year, Restated	(44,300,338)
Net Position End of Year	$ 1,249,772

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Investments	$ 9,643,769	$ 2,212,874	$ 2,255,465	$ 758,169	$ 2,961,252	$ 17,831,529
Investments	-	-	37,003,136	12,438,520	-	49,441,656
Receivables:						
Property Taxes	21,400,662	7,818,088	-	-	1,003,862	30,222,612
Revenue in Lieu of Taxes	2,341,108	-	-	-	-	2,341,108
Intergovernmental	146,345	-	-	17,522,773	317,088	17,986,206
Accounts	27,787	-	-	-	3,112	30,899
Interest	-	-	31,919	10,730	-	42,649
Interfund	148,065	-	-	-	-	148,065
Prepaid Items	56,222	-	-	-	1,359	57,581
Materials and Supplies Inventory	-	-	-	-	12,259	12,259
Total Assets	$33,763,958	$10,030,962	$39,290,520	$30,730,192	$ 4,298,932	$118,114,564
Liabilities:						
Accounts Payable	$ 48,103	$ -	$ 88,306	$ 101,472	$ 11,449	$ 249,330
Accrued Wages and Benefits Payable	2,752,787	-	-	-	260,719	3,013,506
Intergovernmental Payable	532,642	-	-	-	53,490	586,132
Interfund Payable	-	-	-	-	148,065	148,065
Matured Compensated Absences	172,497	-	-	-	1,166	173,663
Total Liabilities	3,506,029	-	88,306	101,472	474,889	4,170,696
Deferred Inflows of Resources:						
Property and Other Local Taxes	16,717,759	5,384,791	-	-	695,320	22,797,870
Unavailable Revenue	233,994	83,620	-	17,522,773	185,090	18,025,477
Total Deferred Inflows of Resources	16,951,753	5,468,411	-	17,522,773	880,410	40,823,347
Fund Balances:						
Nonspendable:						
Prepaid Items	56,222	-	-	-	1,359	57,581
Restricted for:						
Debt Service	-	4,562,551	-	-	-	4,562,551
Permanent Improvements	-	-	-	-	1,120,819	1,120,819
Capital Projects	-	-	39,202,214	13,105,947	-	52,308,161
Food Service	-	-	-	-	662,992	662,992
Special Trust	-	-	-	-	7,522	7,522
Other Local Grants	-	-	-	-	2,437	2,437
Extracurricular Activities	-	-	-	-	86,030	86,030
State and Federal Grants	-	-	-	-	44,533	44,533
Assigned for:						
Public School Support	129,063	-	-	-	-	129,063
Future Appropriations	7,770,882	-	-	-	-	7,770,882
Instruction	29,254	-	-	-	-	29,254
Support Services	93,943	-	-	-	-	93,943
Capital Projects	-	-	-	-	1,216,572	1,216,572
Unassigned (Deficit):	5,226,812	-	-	-	(198,631)	5,028,181
Total Fund Balances	13,306,176	4,562,551	39,202,214	13,105,947	2,943,633	73,120,521
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$33,763,958	$10,030,962	$39,290,520	$30,730,192	$ 4,298,932	$118,114,564

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total Governmental Fund Balances		$ 73,120,521
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		55,627,204
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
	Delinquent Property Tax Receivables	328,627
	Intergovernmental Receivables	17,696,850
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		3,954,716
The net pension and net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
	Deferred Outflows - Pension	19,177,404
	Deferred Inflows - Pension	(1,489,326)
	Net Pension Liability	(44,792,364)
	Deferred Outflows - OPEB	945,318
	Deferred Inflows - OPEB	(1,140,361)
	Net OPEB Liability	(10,166,681)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
	Bonds Payable	(98,030,648)
	Unamortized Issuance Premiums	(5,409,619)
	Unamortized Issuance Discounts	38,706
	Unamortized Losses on Refundings	1,794,439
	Unamortized Gain on Refunding	(323,716)
	Accrued Interest Payable	(744,657)
	Capital Leases Payable	(8,214,692)
	Compensated Absence Payable	(1,121,949)
	Total	(112,012,136)
Net Position of Governmental Activities		$ 1,249,772

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	$22,815,212	$ 7,535,408	$ -	$ -	$ 1,053,316	$ 31,403,936
Revenue in Lieu of Taxes	5,426,085	-	-	-	-	5,426,085
Intergovernmental	14,936,003	610,238	-	3,404,934	3,594,490	22,545,665
Investment Earnings	98,325	-	327,089	125,923	14,860	566,197
Tuition and Fees	471,758	-	-	-	-	471,758
Rent	237,388	-	-	-	-	237,388
Extracurricular Activities	175,168	-	-	-	230,444	405,612
Contributions and Donations	56,154	-	-	-	3,369	59,523
Customer Sales and Services	-	-	-	-	685,798	685,798
Miscellaneous	585,760	-	-	-	45,028	630,788
Total Revenues	44,801,853	8,145,646	327,089	3,530,857	5,627,305	62,432,750
Expenditures:						
Instruction:						
Regular	19,906,434	-	804,019	-	1,535	20,711,988
Special	5,533,198	-	-	-	1,498,826	7,032,024
Vocational	2,334	-	-	-	-	2,334
Other	56,972	-	-	-	-	56,972
Support services:						
Pupils	2,039,494	-	-	-	43,636	2,083,130
Instructional Staff	636,070	-	-	-	3,725	639,795
Board of Education	45,201	-	-	-	-	45,201
Administration	2,380,176	-	-	-	-	2,380,176
Fiscal	801,868	33,729	-	-	6,903	842,500
Operation and Maintenance of Plant	3,427,113	-	167,776	-	13,905	3,608,794
Pupil Transportation	3,233,691	-	451,545	-	-	3,685,236
Central	1,067,957	-	155,396	-	-	1,223,353
Non-Instructional Services	-	-	-	-	2,131,856	2,131,856
Extracurricular Activities	554,118	-	-	-	257,682	811,800
Capital Outlay	-	-	328,144	242,905	-	571,049
Debt service:						
Principal Retirement	-	3,225,000	-	-	513,533	3,738,533
Interest and Fiscal Charges	-	2,200,550	-	-	482,748	2,683,298
Bond Issuance Costs	-	651,894	-	-	-	651,894
Total Expenditures	39,684,626	6,111,173	1,906,880	242,905	4,954,349	52,899,933
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,117,227	2,034,473	(1,579,791)	3,287,952	672,956	9,532,817
Other Financing Sources (Uses):						
Sale of Capital Assets	2,560	-	-	-	-	2,560
Bond Proceeds	-	5,000,000	40,782,005	9,817,995	-	55,600,000
Premium on Bond Proceeds	-	4,522,713	-	-	-	4,522,713
Payment to Refunding Bond Escrow Agent	-	(8,869,860)	-	-	-	(8,869,860)
Total Other Financing Sources (Uses)	2,560	652,853	40,782,005	9,817,995	-	51,255,413
Net Change in Fund Balances	5,119,787	2,687,326	39,202,214	13,105,947	672,956	60,788,230
Fund Balances - Beginning of Year	8,186,389	1,875,225	-	-	2,270,677	12,332,291
Fund Balances - End of Year	$13,306,176	$ 4,562,551	$39,202,214	$13,105,947	$ 2,943,633	$ 73,120,521

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds	$ 60,788,230
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation Expense	(2,010,154)
Capital Outlay	1,665,466
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	17,144,479
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
Pension	3,117,651
OPEB	113,353
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.	
Pension	11,105,359
OPEB	1,377,285
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Issuance of Bonds	(55,600,000)
Premium on Bonds	(4,522,713)
Bond Principal Repayments	944,081
Capital Appreciation Bond Accretion Payments	2,280,919
Capital Lease Principal Repayments	513,533
Payment to Refunding Bond Escrow Agent	8,869,860
Amortization of Bond Issuance Premiums	638,053
Amortization of Bond Issuance Discounts	(992)
Amortization of Losses on Refundings	(220,385)
Amortization of Gain on Refunding	38,317
Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Compensated Absences	53,626
Accrued Interest	(535,124)
Accretion of Capital Appreciation Bonds	(885,064)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	674,330
Change in Net Position of Governmental Activities	$ 45,550,110

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

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

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	$ 18,807,390	$ 18,807,390	$ 21,250,625	$ 2,443,235
Revenue in Lieu of Taxes	4,579,331	4,579,331	5,174,224	594,893
Intergovernmental	13,256,514	13,256,514	14,978,644	1,722,130
Investment Earnings	114,375	114,375	129,233	14,858
Tuition and Fees	599,412	599,412	677,281	77,869
Rent	210,095	210,095	237,388	27,293
Extracurricular Activities	72,991	72,991	82,473	9,482
Miscellaneous	473,696	473,696	535,233	61,537
Total Revenues	38,113,804	38,113,804	43,065,101	4,951,297
Expenditures:				
Instruction:				
Regular	19,138,865	19,140,126	19,008,050	132,076
Special	5,549,117	5,549,483	5,504,514	44,969
Vocational	2,355	2,355	2,334	21
Other	57,975	57,979	57,467	512
Support services:				
Pupils	2,041,161	2,041,295	2,030,746	10,549
Instructional Staff	598,141	598,181	612,954	(14,773)
Board of Education	45,616	45,619	45,623	(4)
Administration	2,388,882	2,389,039	2,368,452	20,587
Fiscal	802,881	802,934	806,086	(3,152)
Operation and Maintenance of Plant	3,509,902	3,510,130	3,467,426	42,704
Pupil Transportation	3,165,699	3,165,906	3,159,094	6,812
Central	1,073,699	1,073,770	1,077,177	(3,407)
Extracurricular Activities	391,415	391,441	387,985	3,456
Total Expenditures	38,765,708	38,768,258	38,527,908	240,350
Excess of Expenditures Over Revenues	(651,904)	(654,454)	4,537,193	5,191,647
Other Financing Sources (Uses):				
Sale of Capital Assets	2,266	2,266	2,560	294
Advances In	411,641	411,641	411,641	-
Advances Out	(298,065)	(298,065)	(298,065)	-
Total Other Financing Sources (Uses)	115,842	115,842	116,136	294
Net Change in Fund Balance	(536,062)	(538,612)	4,653,329	5,191,941
Fund Balances at Beginning of Year	4,611,914	4,611,914	4,611,914	-
Prior Year Encumbrances Appropriated	63,773	63,773	63,773	-
Fund Balances at End of Year	$ 4,139,625	$ 4,137,075	$ 9,329,016	$ 5,191,941

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2018

	Governmental Activities - Internal Service Fund
Assets:	
Equity in Pooled Cash and Investments	$ 4,484,816
Total Assets	4,484,816
Liabilities:	
Claims Payable	530,100
Unearned Revenue	228,187
Total Liabilities	758,287
Net Position:	
Unrestricted	3,726,529
Total Net Position	$ 3,726,529

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Charges for Services	$ 5,615,402
Total Operating Revenues	5,615,402
Operating Expenses:	
Purchased Services	675,931
Claims	4,073,992
Total Operating Expenses	4,749,923
Operating Income	865,479
Non-Operating Revenues:	
Interest Revenue	17,243
Total Non-Operating Revenues	17,243
Change in Net Position	882,722
Net Position Beginning of Year	2,843,807
Net Position End of Year	$ 3,726,529

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	$ 5,407,010
Cash payments for purchased services	(675,931)
Cash payments for claims	(4,097,792)
Net cash provided by operating activities	633,287
Cash flows from investing activities:	
Cash received from interest	17,243
Net cash provided by investing activities	17,243
Net increase in cash and investments	650,530
Cash and investments at beginning of year	3,834,286
Cash and investments at end of year	$ 4,484,816
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 865,479
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Claims payable	(23,800)
Unearned revenue	(208,392)
Net cash provided by operating activities	$ 633,287

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
AS OF JUNE 30, 2018

	Agency Funds
Assets	
Equity in Pooled Cash and Investments	$ 92,183
Total Assets	$ 92,183
Liabilities	
Accounts Payable	$ 1,334
Due to Students	90,849
Total Liabilities	$ 92,183

See accompanying notes to the basic financial statements.

-This page was intentionally left blank-

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Licking Heights Local 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 1956 and is located just east of the City of Columbus about one-half mile from the Franklin County border. The School District serves an area of approximately 36 square miles. It is located in Licking and Franklin Counties and covers parts of the City of Pataskala, Jersey Township, St. Albans Township and Etna Township in Licking County and parts of Jefferson Township, the City of Reynoldsburg, City of New Albany and the City of Columbus in Franklin County. It is staffed by 165 classified employees and 292 certificated teaching personnel who provide services to 4,422 students and other community members. The School District currently operates five instructional buildings, one administrative building, and a bus garage.

Reporting Entity

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

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

The School District participates in several organizations which are defined as jointly governed organizations. These organizations are the Licking Area Computer Association, the Metropolitan Educational Technology Association and the School Study Council of Ohio. These organizations are presented in Note 16 to the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements normally distinguish between those activities that are governmental and those that are considered business-type activities. The internal service fund operating activities are eliminated to avoid overstatement of revenues and expenditures.

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

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into 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 rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

<u>Governmental Funds</u>

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Bond Retirement Fund – The Bond Retirement Fund accounts for the accumulation of property tax revenues for, and payment of, general obligation bonds used for the construction and renovation of buildings within the School District.

Building Fund – The Building Fund accounts for the receipts and expenditures related to all special bond funds in the School District. Proceeds from the sale of bonds, notes, or certificates of indebtedness are paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Classroom Facilities Fund – The Classroom Facilities Fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

Other Governmental Funds of the School District account for specific revenue sources that are restricted or assigned for specified purposes other than debt service.

<u>Proprietary Funds</u>

Internal Service Fund – The Internal Service Fund accounts for money received from other funds as payment for providing medical insurance. Payments are made to a third party administrator for claims payments, claims administration and stop-loss coverage.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the School District's internal service fund are charges for sales and services. Operating expenses for internal service fund includes the claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

<u>Fiduciary Funds -</u> Fiduciary funds are used to account for assets held by the School District in a trustee or agency capacity for others and therefore cannot be used to support the School District's own programs. Fiduciary funds include pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The School District has two fiduciary funds, an agency fund which accounts for student activities and an agency fund which accounts for revenues and expenditures related to athletic tournaments.

C. Measurement Focus

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, revenue in lieu of taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, revenue in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11)

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget is waived by the Licking County Budget Commission (Budget Commission) under the authority of Section 5705.281 of the Revised Code. The Budget Commission accepts the School District's five year forecast in place of the tax budget. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

F. Cash and Investments

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund, Building Fund, Classroom Facilities Fund, Internal Service Fund and Other Governmental Funds during fiscal year 2018 amounted to $98,325, $327,089, $125,923, $17,243 and $14,860, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The portion of interest revenue credited to the General Fund that was earned on cash balances within other funds was insignificant.

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

G. Inventory

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

H. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. During the fiscal year 2018, the School District increased its capitalization threshold from $2,500 to $5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Land Improvements	10 – 30
Buildings and Improvements	15 – 45
Furniture, Fixtures and Equipment	5 – 20
Vehicles	5 – 20

I. Interfund Balances

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The School District records a liability for all employees meeting the retirement criteria outlined by the pension systems as well as all employees with 10 or more years of service with the School District.

The entire sick leave benefit liability is reported on the government-wide financial statements. On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences" in the funds from which these payments will be made.

The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy.

K. Bond Premiums/Issuance Costs/Accretion

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the bonds are issued. Accretion on the capital appreciation bonds is not reported.

L. Accrued Liabilities and Long-term Obligations

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net 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.

N. Fund Balance

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories may be used:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Committed – Fund balance is reported as committed when there are resources constrained for specific purposes that are internally imposed by formal action (resolution) of the government at the highest level of decision making authority, Board of Education.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria 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 policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School District applies restricted resources first when disbursements are incurred for purposes for which both restricted and unrestricted (assigned and unassigned) fund balance is available. Similarly, within unrestricted fund balance, assigned amounts are reduced first followed by the unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The School District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

O. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated of the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods 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 expenditures to the funds that initially paid for them are not presented on the financial statements.

P. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of District management and that are either unusual in nature or infrequent in occurrence. During the fiscal year, the School District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).

4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

5. With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the School District's Public School Support Fund, no longer meets the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, this fund is presented as part of the School District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria.

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

Net Change in Fund Balance

GAAP Basis	$ 5,119,787
Adjustments:	
Funds Budgeted as Other Funds	(28,905)
Revenue Accruals	(1,577,872)
Expenditure Accruals	1,041,848
Other Financing Sources/Uses, Net	263,576
Encumbrances	(165,105)
Budget Basis	$ 4,653,329

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

This space intentionally left blank.

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

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

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

2. Bonds, notes, debentures, or any other 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. 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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

A. Deposits with Financial Institutions

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 carrying amount of the School District deposits was $15,753,684, and the bank balance was $16,330,542. Of the School District's bank balance, $12,962,629 was covered by the Federal Depository Insurance Company (FDIC) and the remaining balance was uninsured and collateralized. The District's financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

The School District has no deposit policy for custodial risk beyond the requirement of State statute. Ohio law requires that deposits either be insured or be protected by:

1. Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

B. Investments

At fiscal year-end, the School District had the following investments:

Investment Type	Standard and Poor's Rating	Fair Value	Percent of Total	Investment Maturities: Within 1 Year	1 to 2 Years	2 to 4 Years
Money Market Funds	N/A	$ 415,799	0.75%	$ 415,799	$ -	$ -
Federal Home Loan Mortgage	AA+	395,415	0.70%	197,920	197,495	-
Federal Home Loan Banks	A-1+	1,076,600	1.92%	784,476	-	292,124
Negotiable Certificates of Deposit	N/A	13,483,261	24.04%	5,177,395	7,096,289	1,209,577
Commercial Paper	A-1	28,825,122	51.39%	28,825,122	-	-
US Treasury Bills	A-1	11,891,693	21.20%	11,891,693	-	-
Total		$ 56,087,890	100.00%	$ 47,292,405	$ 7,293,784	$ 1,501,701

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the School District's investments reported at fair value are valued using quoted market prices (Level 2 inputs) except money market funds which are Level 1 inputs.

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

In addition, at fiscal year-end, the School District reported an investment in STAR Ohio totaling $8,610. In accordance with GASB Statement No. 79, the School District's investment in STAR Ohio is reported at amortized cost. For the fiscal year ended June 30, 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. STAROhio carries a rating of AAAm by Standard and Poor's.

Interest Rate Risk - The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, unless matched to a specific obligation or debt of the School District. The Treasurer cannot make investments which he does not reasonably believe can be held until the maturity date.

Credit Risk - The School District's investment policy limits investments to those authorized by State statute. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issuer except for commercial paper and bankers' acceptances.

NOTE 5 – PROPERTY TAXES

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

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

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

NOTE 5 – PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar year 2018 (other than public utility property tax) represents the collection of calendar year 2018 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected.

Tangible personal property taxes received from telephone companies in calendar year 2018 were levied after October 1, 2017, on the value as of December 31, 2017. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Licking and Franklin 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 amounts available to be advanced can vary based on the date the tax bills are sent.

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

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$ 504,982,146	94.46%	$ 575,762,120	93.58%
Public Utility Personal	29,616,670	5.54%	39,505,200	6.42%
Total	$ 534,598,816	100.00%	$ 615,267,320	100.00%
Tax rate per $1,000 of assessed valuation	$ 60.89		$ 62.88	

NOTE 6 – TAX ABATEMENTS

Under Community Reinvestment Area (CRA) and other property tax abatements entered into by the City of Reynoldsburg, City of New Albany, City of Pataskala and Jefferson Township, the School District's property tax revenues were reduced by $200,860, $1,991,055, $238 and $50,623, respectively, during the fiscal year. Compensation payments received from the cities during the fiscal year totaled $1,813,919.

NOTE 7 – RECEIVABLES

At fiscal year-end, receivables consisted of property taxes, revenue in lieu of taxes, intergovernmental grants, interest, and interfund. All receivables are considered collectible in full and will be received within one year with the exception of property taxes and revenue in lieu of taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Revenue in lieu of taxes will be received over the designated period established by the agreements.

A summary of the principal items of intergovernmental receivables follows:

Description	Amount
OFCC	$ 17,522,773
Title III Limited English Proficiency	23,828
Title VI-B IDEA	128,958
Title I Disadvantaged Children	162,686
Secondary Transition	1,616
Tuition Reimbursement	39,934
BWC Refund	106,411
Total Intergovernmental Receivables	$ 17,986,206

Revenue in Lieu of Taxes

The School District receives revenue in lieu of taxes from a Tax Increment Financing Agreement entered into with the City of Columbus for the purpose of constructing single, multifamily and senior housing facilities. The School District is to receive payments equal to the amount that the School District could otherwise receive as real property tax payments derived from the improvements, absent the passage of the agreement. The agreement will expire no later than fiscal year 2033.

The School District also receives revenue in lieu of taxes from a revenue sharing agreement with the City of Reynoldsburg. Licking County and the City of Columbus entered into an enterprise zone agreement to allow several businesses a tax exemption on tangible personal property taxes. The School District is to receive 50 percent of income tax revenue collected by the City of Reynoldsburg on new jobs created by the enterprise zone. This agreement will expire during fiscal year 2020.

The School District also receives revenue in lieu of taxes from a revenue sharing agreement with the City of New Albany whereas the City of New Albany has declared improvements to certain parcels of real property within the City, 100 percent exempt from property taxes. The School District is to receive 50 percent of income tax revenue collected by the City of New Albany on new jobs created by the exempt parcels, not to exceed the amount the School District could have received as real property tax payments derived from the improvements had the exemption not been declared.

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year was as follows:

	Beginning Balance	Additions	Deductions/ Transfers	Ending Balance
Nondepreciable Capital Assets				
Land	$ 3,418,147	$ -	$ -	$ 3,418,147
Construction in Progress	68,371	652,013	(305,000)	415,384
Total Nondepreciable Assets	3,486,518	652,013	(305,000)	3,833,531
Depreciable Capital Assets				
Land Improvements	1,132,509	-	-	1,132,509
Buildings and Improvements	72,590,324	34,136	305,000	72,929,460
Furniture, Fixtures and Equipment	2,015,199	429,145	-	2,444,344
Vehicles	5,004,945	550,172	-	5,555,117
Total Depreciable Assets	80,742,977	1,013,453	305,000	82,061,430
Less accumulated depreciation				
Land Improvements	(601,685)	(83,204)	-	(684,889)
Buildings and Improvements	(22,460,846)	(1,598,365)	-	(24,059,211)
Furniture, Fixtures and Equipment	(1,666,810)	(91,402)	-	(1,758,212)
Vehicles	(3,528,262)	(237,183)	-	(3,765,445)
Total accumulated depreciation	(28,257,603)	(2,010,154)	-	(30,267,757)
Depreciable Capital Assets, Net of accumulated depreciation	52,485,374	(996,701)	305,000	51,793,673
Total Capital Assets, Net	55,971,892	(344,688)	-	55,627,204

Instruction Regular	$ 1,565,086
Instructional Staff	11,538
Administration	7,739
Operations and Maintenance	76,294
Pupil Transportation	297,318
Central	5,182
Food Services	29,345
Extracurricular Activities	17,652
Total Depreciation Expense	$ 2,010,154

NOTE 9 – RISK MANAGEMENT

A. Property and Liability - The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the School District contracted with Markel Insurance Company for building and contents and fleet insurance. Insurance coverage provided includes the following:

Building and Contents replacement cost ($5,000 deductible)	$73,796,845
General Liability (per Occurrence)	$1,000,000
Annual Aggregate	$2,000,000
Personal and Advertising Injury Aggregate	$1,000,000
Automobile Liability	$1,000,000
Umbrella Liability	$5,000,000
Annual Aggregate	$5,000,000
Employers' Liability	$1,000,000
Annual Aggregate	$2,000,000
Crime – Employee Theft ($500 deductible)	$250,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There was a reduction in building and contents liability, general liability, automobile liability, educator's legal liability, commercial excess liability, and employees' liability.

B. Employee Medical, Prescription Drug and Dental Self-Insurance - The School District maintains an internal service "self-insurance" medical, prescription drug and dental insurance fund in connection with formalized risk management programs in an effort to minimize risk exposure and control claims and premium costs. The School District, effective January 1, 2015, contracted with Medical Mutual to be the third party administrator for the medical and prescription drug insurance programs. Effective January 1, 2016, the School District contracted with Delta Dental to be the third party administrator for the dental insurance program.

A claims liability of $530,100 at fiscal year-end in the self-insurance internal service fund reflects an estimate of incurred but unpaid claims liability. This liability was estimated by a third party based on claims experience. The School District has purchased stop loss coverage for individual employee claim amounts exceeding $125,000. Unpaid claims at year-end are recorded as current claims payable because they would be due within 60 days from the end of the fiscal year.

A summary of the changes in the self-insurance claims liability for fiscal years 2018, 2017 and 2016 are as follows:

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Claims Liability at July 1	$ 553,900	$ 708,800	$ 663,500
Incurred Claims	4,073,992	3,287,120	4,124,424
Claims Paid	(4,097,792)	(3,442,020)	(4,079,124)
Claims Liability at June 30	$ 530,100	$ 553,900	$ 708,800

C. Workers' Compensation - The School District pays its workers' compensation premium to the State based on its individual rate provided by Bureau of Workers Compensation. The School District has contracted with Comp Management to provide third party administration services and managed care services.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the 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.

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

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

Plan Description - School Employees Retirement System (SERS)

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

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; 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.

The cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

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 of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $697,379 for fiscal year 2018. Of this amount $125,792 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. 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.

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

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

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

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

The School District's contractually required contribution to STRS was $2,420,272 for fiscal year 2018. Of this amount, $329,030 is reported as intergovernmental payable.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$9,634,953	$35,157,411	$44,792,364
Proportion of the Net Pension Liability - Current Measurement Date	0.1612604%	0.14799871%	
Proportion of the Net Pension Liability - Prior Measurement Date	0.1551276%	0.13948374%	
Change in Proportionate Share	0.0061328%	0.0085150%	
Pension Expense	$39,902	($11,145,261)	($11,105,359)

This space intentionally left blank.

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$414,655	$1,357,614	$1,772,269
Change of assumptions	498,231	7,689,312	8,187,543
Changes in proportionate share	778,609	5,321,332	6,099,941
District contributions subsequent to the measurement date	697,379	2,420,272	3,117,651
Total Deferred Outflows of Resources	$2,388,874	$16,788,530	$19,177,404
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$283,355	$283,355
Net difference between projected and actual investment earnings	45,735	1,160,236	1,205,971
Total Deferred Inflows of Resources	$45,735	$1,443,591	$1,489,326

$3,117,651 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$796,603	$4,033,422	$4,830,025
2020	852,909	4,537,737	5,390,646
2021	220,857	3,239,644	3,460,501
2022	(224,609)	1,113,864	889,255
Total	$1,645,760	$12,924,667	$14,570,427

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

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 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

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% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

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.

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$13,370,810	$9,634,953	$6,505,410

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective 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.

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.

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 Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.50
Alternatives	17.00	1.09
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% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 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%)
District's proportionate share of the net pension liability	$50,396,952	$35,157,411	$22,320,382

Changes Between Measurement Date and Report Date The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Benefit Term Changes Since the Prior Measurement Date Effective July 1, 2017, the Cost of Living Adjustment was reduced to zero.

Social Security System

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

NOTE 11 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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 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.

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

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.

NOTE 11 – DEFINED BENEFIT OPEB PLANS – (Continued)

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, 0.50 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 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $87,524.

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 $113,353 for fiscal year 2018. Of this amount $92,183 is reported as intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

NOTE 11 – DEFINED BENEFIT OPEB PLANS – (Continued)

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

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

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	$4,392,317	$5,774,364	$10,166,681
Proportion of the Net OPEB Liability - Current Measurement Date	0.1636642%	0.14799871%	
Proportion of the Net OPEB Liability - Prior Measurement Date	0.1572441%	0.13948374%	
Change in Proportionate Share	0.0064201%	0.0085150%	
OPEB Expense	$293,661	($1,670,946)	($1,377,285)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$333,332	$333,332
Changes in proportionate share	134,327	364,306	498,633
District contributions subsequent to the measurement date	113,353	0	113,353
Total Deferred Outflows of Resources	$247,680	$697,638	$945,318
Deferred Inflows of Resources			
Net difference between projected and actual investment earnings	$11,599	$246,810	$258,409
Changes of assumptions	416,808	465,144	881,952
Total Deferred Inflows of Resources	$428,407	$711,954	$1,140,361

$113,353 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 11 – DEFINED BENEFIT OPEB PLANS – (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($105,249)	($3,579)	($108,828)
2020	(105,249)	(3,579)	(108,828)
2021	(80,683)	(3,579)	(84,262)
2022	(2,899)	(3,579)	(6,478)
Total	($294,080)	($14,316)	($308,396)

Actuarial Assumptions - SERS

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

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

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

NOTE 11 – DEFINED BENEFIT OPEB PLANS – (Continued)

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:	3.63 percent
Measurement Date	2.98 percent
Prior Measurement Date	
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.

NOTE 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 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.50 percent decreasing to 4.00 percent) and higher (8.50 percent decreasing to 6.00 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	$5,304,282	$4,392,317	$3,669,808

NOTE 11 – DEFINED BENEFIT OPEB PLANS – (Continued)

	1% Decrease (6.50% decreasing to 4.00%)	Current Discount Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
District's proportionate share of the net OPEB liability	$3,564,036	$4,392,317	$5,488,561

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	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 to 11.00 percent initial, 4.50 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.

NOTE 11 – DEFINED BENEFIT OPEB PLANS – (Continued)

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.10 percent to 1.90 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.

NOTE 11 – DEFINED BENEFIT OPEB PLANS – (Continued)

A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	$7,751,990	$5,774,364	$4,211,392

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$4,011,780	$5,774,364	$8,094,129

NOTE 12 – EMPLOYEE BENEFITS

A. Compensated Absences

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

All employees earn sick leave at the rate of one and one-fourth days per month. For part-time employees, each day of accumulation is a pro-rated day equal to the number of hours employed. Sick leave may be accumulated up to 320 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 80 days for all certificated and classified employees. All employees earn additional bonus severance days based upon years of service. Certified employees earn one to five days and classified employees earn one to six days.

NOTE 12 – EMPLOYEE BENEFITS – (Continued)

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through American United. Vision insurance is offered by the School District, but the employees pay the total premium.

C. Deferred Compensation

School District employees may participate in a deferred compensation plan. The School District maintains a list of the various companies that have been approved by the Board. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 13 – LEASES – LESSEE DISCLOSURE

The School District leases multiple modular buildings under two operating lease agreements for a minimum term of 3 years. Total costs for these operating leases were $65,100 ($5,425 per month) and $46,500 ($3,875 per month) for the fiscal year

The School District has entered into capitalized leases for buses. Each lease meets the criteria of a capital lease, one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The buses acquired by the leases were initially capitalized in the amount of $871,823, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments during the fiscal year of $123,533 were paid from the Permanent Improvement Fund. At fiscal year-end the buses have accumulated depreciation of $428,183 for a net book value of $443,640.

The agreements provide for minimum annual rental payments as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 126,994	$ 5,154	$ 132,148
2020	67,698	1,594	69,292
Total	$ 194,692	$ 6,748	$ 201,440

On September 1, 2010, the School District entered into a ground lease agreement with Licking Heights Alumni Association, Inc. (Association) whereas the School District leases a parcel of land to the Association, and subsequently constructs school facilities on the land, and the Association, in turn, subleases the land, and leases the constructed school facilities to the School District through June 30, 2018, with an option to renew annually through December 1, 2035. It is the School District's intent to renew annually. See Note 14 for further disclosure.

NOTE 14 – LONG-TERM OBLIGATIONS

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

General Obligation Bonds:	Restated Amounts Outstanding 6/30/17	Additions	Deductions	Amounts Outstanding 6/30/18	Amounts Due Within One Year
2000 School Improvement Bonds- 6.4%	$ 870,000	$ -	$ (5,000)	$ 865,000	$ 5,000
2000A School Improvement Bonds- 4.3% to 6.0%					
Capital Appreciation Bonds (CABS)	11,688	-	(11,688)	-	-
Accretion on CABS	649,260	84,052	(733,312)	-	-
2005 School Improvement Advance Refunding Bonds - 3.5% to 5.0%					
Capital Appreciation Bonds (CABS)	159,573	-	(13,293)	146,280	146,280
Accretion on CABS	787,779	145,040	(71,707)	861,112	861,112
Unamortized Premium	135,892	-	(67,946)	67,946	-
2007 Advance Refunding Bonds					
Serial Bonds- 4.0% to 4.25%	7,310,000	-	(7,310,000)	-	-
Term Bonds- 4.0% to 4.1%	1,470,000	-	(1,470,000)	-	-
Capital Appreciation Bonds (CABS)	49,998	-	-	49,998	-
Accretion on CABS	519,946	164,676	-	684,622	-
Unamortized Premium	298,153	-	(298,153)	-	-
2011 Advance Refunding Bonds					
Serial Bonds - 2.0% to 2.5%	6,940,000	-	-	6,940,000	1,630,000
Capital Appreciation Bonds (CABS)	425,000	-	(425,000)	-	-
Accretion on CABS	979,830	90,170	(1,070,000)	-	-
Unamortized Premium - CABS	74,622	-	(74,622)	-	-
Unamortized Premium - Serial Bonds	70,240	-	(15,609)	54,631	-
2012 Advance Refunding Bonds					
Serial Bonds - 2.0% to 3.1%	7,665,000	-	-	7,665,000	-
Capital Appreciation Bonds (CABS)	208,400	-	(89,100)	119,300	69,300
Accretion on CABS	1,012,081	152,742	(405,900)	758,923	394,844
Unamortized Premium - CABS	224,525	-	(128,674)	95,851	-
Unamortized Premium - Serial Bonds	34,314	-	(2,214)	32,100	-
2013 Advance Refunding Bonds					
Serial Bonds - 0.4% to 3.6%	14,335,000	-	(255,000)	14,080,000	260,000
Capital Appreciation Bonds (CABS)	529,980	-	-	529,980	289,927
Accretion on CABS	1,072,049	248,384	-	1,320,433	663,576
Unamortized Premium - CABS	916,419	-	(183,750)	732,669	-
2016 Refunding Bonds					
Term Bonds - 1.73%	8,480,000	-	(70,000)	8,410,000	90,000

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds:	Restated Amounts Outstanding 6/30/17	Additions	Deductions	Amounts Outstanding 6/30/18	Amounts Due Within One Year
2017A School Facilities Improvement Bonds					
Serial Bonds - 3.0% to 5.0%	-	12,115,000	-	12,115,000	505,000
Term Bonds - 3.375% to 5.0%	-	30,450,000	-	30,450,000	-
Unamortized Premium - Serial Bonds	-	1,497,612	(37,440)	1,460,172	-
Unamortized Premium - Term Bonds	-	840,414	(11,357)	829,057	-
2017B School Facilities Improvement Bonds					
Serial Bonds - 3.0% to 5.0%	-	5,870,000	-	5,870,000	110,000
Term Bonds - 3.125% to 3.250%	-	2,165,000	-	2,165,000	-
Unamortized Premium - Serial Bonds	-	1,148,148	(38,272)	1,109,876	-
Unamortized Discount - Term Bonds	-	(39,698)	992	(38,706)	-
2017C Refunding Bonds					
Serial Bonds - 4.0% to 5.0%	-	5,000,000	-	5,000,000	-
Unamortized Premium - Serial Bonds	-	1,076,237	(48,920)	1,027,317	-
General Obligation Bonds Payable	55,229,749	61,007,777	(12,835,965)	103,401,561	5,025,039
Net Pension Liability:					
SERS	11,353,909	-	(1,718,956)	9,634,953	-
STRS	46,689,412	-	(11,532,001)	35,157,411	-
Total Net Pension Liability	58,043,321	-	(13,250,957)	44,792,364	-
Net OPEB Liability:					
SERS	4,482,039	-	(89,722)	4,392,317	-
STRS	7,459,626	-	(1,685,262)	5,774,364	-
Total Net OPEB Liability	11,941,665	-	(1,774,984)	10,166,681	-
2010A Certificates of Participation					
Certificates	390,000	-	(390,000)	-	-
Unamortized Premium	2,746	-	(2,746)	-	-
2010B Certificates of Participation (QSCB)					
Certificates	4,000,000	-	-	4,000,000	400,000
2010C Certificates of Participation					
Certificates	4,020,000	-	-	4,020,000	-
Other Capital Leases	318,225	-	(123,533)	194,692	126,994
Compensated Absences	1,206,391	329,484	(240,263)	1,295,612	211,386
Total Other Long-Term Obligations	9,937,362	329,484	(756,542)	9,510,304	738,380
Total Long-Term Obligations	$ 135,152,097	$ 61,337,261	$ (28,618,448)	$ 167,870,910	$ 5,763,419

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2000 School Improvement Bonds

The School District issued School Improvement General Obligation Bonds in the amount of $950,000 on May 1, 2000. The bonds were issued for a 28 year period with final maturity at December 1, 2028.

2000A School Improvement Bonds

On September 15, 2000, the School District issued $24,049,032 in voted general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of $11,825,000, $12,150,000, and $74,032, respectively. The School District received $25,082,472 in bond proceeds. The bonds were issued for a 28 year period with final maturity at December 31, 2028. The debt proceeds were used to construct a new high school building with a multi-purpose area for school and community use, renovating and improving existing school buildings and facilities, and acquiring land. On June 1, 2005, $4,950,000 of the serial bonds and $12,150,000 of the term bonds were advance refunded. The capital appreciation bonds matured on December 1, 2017.

2005 School Improvement Advance Refunding Bonds

On June 1, 2005, the School District issued $17,099,994 of general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of $14,815,000, $2,110,000, and $174,994, respectively. The bonds refunded $17,100,000 of outstanding 2000 School Improvement Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2028.

The term bonds, issued at $2,110,000, that mature on December 1, 2028, were refunded with Series 2013 on May 16, 2013. The serial bonds issued at $14,815,000, and with final maturity dates after June 1, 2015, are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the School District and by lot within maturity, at the option of the Board of Education on or after June 1, 2015 at the redemption price of 100 percent. $13,610,000 of the serial bonds were refunded with Series 2013 on May 16, 2013.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2018.

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2007 Advanced Refunding Bonds

On October 11, 2007, the School District issued $9,379,998 in general obligation bonds for the purpose of refunding $9,380,000 of the 2004 School Improvement Bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of $7,645,000, $1,685,000, and $49,998, respectively. The bonds were issued for a 22 year period, with final maturity in December 2028.

The term bonds issued at $1,685,000, that mature on December 1, 2025, and the serial bonds issued at $7,645,000, with final maturity on December 1, 2028, were refunded with Series 2017C on September 21, 2017.

The capital appreciation bonds, issued at $49,998, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2020 in the amount of $1,075,000.

2010 Certificates of Participation

On September 22, 2010, the School District issued $2,210,000 in certificates of participation, Series 2010A, elected to be treated as tax-exempt serial bonds, for the purpose of school facilities construction in the Ohio School Facilities Commission program. The certificates matured on December 1, 2017 with interest costs increasing each year from 2.0 to 2.75 percent.

On September 22, 2010, the School District issued $4,000,000 in certificates of participation, Series 2010B, elected to be treated as Federal Taxable Qualified School Construction Bonds, for the purpose of school facilities construction in the Ohio School Facilities Commission program. The maturity date for the certificates is September 1, 2027 with interest costs of 5.55 percent.

On September 22, 2010, the School District issued $4,020,000 in certificates of participation, Series 2010C, elected to be treated as Federal Taxable Build America Bonds, for the purpose of school facilities construction in the Ohio School Facilities Commission program. The maturity date for the certificates is December 1, 2035 with interest costs from 6.0 to 6.5 percent.

The Certificates of Participation evidence a proportionate interest in the base rent to be paid by the School District under the ground lease agreement. Base rent payments will be recorded as expenditures in the permanent improvement fund (an other governmental fund).

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

The following is a summary of future base rent payments for the certificates of participation:

Fiscal Year	Principal	Interest	Total
2019	$ 400,000	$ 468,520	$ 868,520
2020	400,000	468,520	868,520
2021	400,000	468,520	868,520
2022	400,000	468,520	868,520
2023	400,000	468,520	868,520
2024-2028	2,000,000	2,231,600	4,231,600
2029-2033	2,360,000	887,720	3,247,720
2034-2036	1,660,000	157,170	1,817,170
Total	$ 8,020,000	$ 5,619,090	$ 13,639,090

2011 Advanced Refunding Bonds

On December 22, 2011, the School District issued $7,820,000 in general obligation bonds for the purpose of refunding $7,820,000 of the 2004 School Improvement Bonds. The bond issue included serial and capital appreciation bonds, in the amounts of $7,395,000 and $425,000, respectively. The bonds were issued for a 10 year period, with final maturity in December 2021.

The serial bonds and capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds matured on December 1, 2017.

2012 Advanced Refunding Bonds

On March 6, 2012, the School District issued $8,502,212 in general obligation bonds for the purpose of refunding $8,505,000 of the 2005 School Construction Current Refunding Bonds. The bond issue included serial and capital appreciation bonds, in the amounts of $8,175,000 and $327,212, respectively. The bonds were issued for a 20 year period, with final maturity in December 2032.

The serial bonds issued at $8,175,000 and with final maturity dates after December 1, 2021 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the School District and by lot within maturity, at the option of the Board of Education on or after December 1, 2021 at the redemption price of 100 percent.

The capital appreciation bonds are not subject to prior redemption. The outstanding capital appreciation, issued at $119,300, bonds will mature in fiscal years 2019 through 2020 as follows:

Fiscal Year	Maturity Amount
2019	$ 495,000
2020	500,000

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2013 Advanced Refunding Bonds

On May 16, 2013, the School District issued $15,719,980 in general obligation bonds for the purpose of refunding $15,720,000 of the 2005 School Improvement Advance Refunding Bonds. The bond issue included serial and capital appreciation bonds, in the amounts of $15,190,000 and $529,980, respectively. The bonds were issued for a 15 year period, with final maturity in December 2028.

The serial bonds issued at $15,190,000 and with final maturity dates after December 1, 2028 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the School District and by lot within maturity, at the option of the Board of Education on or after December 1, 2028 at the redemption price of 100 percent.

The capital appreciation bonds, issued at $529,980, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2020 through 2021 as follows:

Fiscal Year	Maturity Amount
2020	$ 1,330,000
2021	1,390,000

2016 Refunding Bonds

On October 27, 2016, the School District issued $8,480,000 in general obligation term bonds for the purpose of refunding $8,480,000 of the 2006 Advance Refunding Bonds. The bonds were issued for an 8 year period and mature on December 1, 2024.

The outstanding term bonds are subject to mandatory sinking fund redemption on December 1, 2018, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2019	$ 90,000
2020	85,000
2021	90,000
2022	90,000
2023	3,160,000
2024-2025	4,895,000

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2017A School Facilities Improvement Bonds

On September 21, 2017, the School District issued $42,565,000 in general obligation bonds for the purpose of constructing and renovating school facilities, including a new high school, and locally funded initiatives together with matching funds under the Classroom Facilities Assistance Program of the Ohio School Facilities Commission; furnishing and equipping the same, including buses and motor vehicles for school use; improving the sites thereof; and acquiring land and interests in land. The bond issue included serial and term bonds, in the amounts of $12,115,000 and $30,450,000, respectively. The bonds were issued for a 37 year period with final maturity at October 1, 2054.

The term bonds in the amount of $2,640,000 maturing on October 1, 2032, are subject to mandatory sinking fund redemption on October 1, 2030, and on each October 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2031	$ 845,000
2032	880,000
2033	915,000

The term bonds in the amount of $6,385,000 maturing on October 1, 2042, are subject to mandatory sinking fund redemption on October 1, 2038, and on each October 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2039	$ 1,155,000
2040	1,215,000
2041	1,275,000
2042	1,335,000
2043	1,405,000

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

The term bonds in the amount of $7,890,000 maturing on October 1, 2047, are subject to mandatory sinking fund redemption on October 1, 2043, and on each October 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2044	$ 1,475,000
2045	1,525,000
2046	1,575,000
2047	1,630,000
2048	1,685,000

The term bonds in the amount of $13,535,000 maturing on October 1, 2054, are subject to mandatory sinking fund redemption on October 1, 2048, and on each October 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2049	$ 1,740,000
2050	1,800,000
2051	1,865,000
2052	1,930,000
2053	1,995,000
2054-2055	4,205,000

2017B School Facilities Improvement Bonds

On September 21, 2017, the School District issued $8,035,000 in general obligation bonds for the purpose of constructing and renovating school facilities, including a new high school, and locally funded initiatives together with matching funds under the Classroom Facilities Assistance Program of the Ohio School Facilities Commission; furnishing and equipping the same, including buses and motor vehicles for school use; improving the sites thereof; and acquiring land and interests in land. The bond issue included serial and term bonds, in the amounts of $5,870,000 and $2,165,000, respectively. The bonds were issued for a 20 year period with final maturity at October 1, 2038.

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

The term bonds in the amount of $825,000 maturing on October 1, 2034, are subject to mandatory sinking fund redemption on October 1, 2033, and on each October 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2034	$ 405,000
2035	420,000

The term bonds in the amount of $1,340,000 maturing on October 1, 2037, are subject to mandatory sinking fund redemption on October 1, 2035, and on each October 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2036	$ 435,000
2037	445,000
2038	460,000

2017C Refunding Bonds

On September 21, 2017, the School District issued $5,000,000 in general obligation serial bonds for the purpose of refunding $8,705,000 of the 2007 Advance Refunding Bonds. The bonds were issued for an 11 year period and mature on October 1, 2029.

Principal and interest requirements to retire the School District's outstanding debt at June 30, 2018, are as follows:

	General Obligation Bonds					
Fiscal Year	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2019	2,510,000	1,860,063	90,000	1,378,907	2,425,039	484,961
2020	1,050,000	1,812,155	85,000	1,377,395	2,045,609	919,391
2021	3,790,000	1,738,859	90,000	1,375,880	-	-
2022	5,425,000	1,616,557	90,000	1,374,325	-	-
2023	2,540,000	1,512,733	3,160,000	1,346,211	-	-
2024-2028	21,390,000	5,698,203	4,895,000	6,234,935	-	-
2029-2033	10,690,000	1,654,239	2,640,000	6,015,367	-	-
2034-2038	5,140,000	530,200	2,165,000	5,475,565	-	-
2039-2043	-	-	6,385,000	4,529,185	-	-
2044-2048	-	-	7,890,000	3,052,063	-	-
2049-2053	-	-	9,330,000	1,574,653	-	-
2054-2055	-	-	4,205,000	148,488	-	-
Total	$ 52,535,000	$ 16,423,009	$ 41,025,000	$ 33,882,974	$ 4,470,648	$ 1,404,352

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

All general obligation bonds will be retired from the Bond Retirement Fund with property tax revenues.

The School District pays obligations related to employee compensation from the fund benefiting from their service, including the general fund, food service fund and state and federal grant funds.

Legal Debt Margin

The Ohio Revised Code provides that voted general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible person property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall legal debt limitation for the cost of locally funded initiatives in relation to the ongoing Ohio Facilities Construction Commission Project.

Net Pension/OPEB Liability

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from the employees' service. For additional information related to the net pension liability and net OPEB liability see Note 10 and 11.

Compensated Absences

Compensated absences represent accumulated vacation and an estimated severance liability for employees both eligible to retire and those expected to become eligible in the future. The entire compensated absences balance is reported on the entity-wide financial statements. For governmental fund financial statements, the compensated absences are reported only to the extent they have matured and will be paid with current financial resources. The noncurrent portion of the liability is not reported.

The School District pays obligations related to compensated absences from the General Fund and Food Service Fund.

NOTE 15 – INTERFUND ACTIVITY

At fiscal year-end, the General Fund had unpaid interfund cash advances in the amount of $148,065, which represents short-term loans made to other funds of the School District. These loans are expected to be repaid within one year.

Unpaid interfund cash advances at fiscal year-end are as follows:

Other Governmental Fund Name	Amount
Title VI-B IDEA	$ 63,322
Title III Limited English Proficiency	15,158
Title I Disadvantaged Children	69,585
	$ 148,065

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association - The School District is a participant in the Licking Area Computer Association (LACA), which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendent from all participating districts. The School District paid $147,072 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, Ohio 43055.

B. Metropolitan Educational Technology Association - The School District participates in the Metropolitan Educational Technology Association (META). META is composed of over 200 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 37 counties in Central Ohio. The META helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of META is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year, the participating school districts pay a membership fee to META to cover the costs of administering the program. The School District paid $0 to META for membership during fiscal year 2018. Financial information may be obtained from the Metropolitan Educational Technology Association, David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, OH 43302.

C. School Study Council of Ohio - The School Study Council of Ohio (the "Council") is a jointly governed organization operated by a Board of Trustees (the "Board") that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts can have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and participate in Council discussions, but are not entitled to vote. The Board is annually elected from within the Council's active membership. The Board consisted of 14 members. The School District did not make any payments to the Council during fiscal year 2018. Financial information may be obtained from the School Study Council of Ohio, at 2080 Citygate Drive, Columbus, OH 43219.

NOTE 17 – SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of an equal amount for the acquisition and construction of capital improvements.

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

	Capital Acquisition
Set-aside cash balance as of June 30, 2017	$ -
Current fiscal year set-aside requirement	737,017
Current fiscal year offsets	(981,744)
Set-aside Reserve Balance as of June 30, 2018	$ (244,727)
Required Set-aside Balances Carried Forward to FY 2019	$ -

During fiscal year 2018, the School District issued $50,600,000 in capital related debt based on a building project under taken by the School District. Those proceeds may be used as qualifying offsets to reduce the capital acquisition to zero for future years. In fiscal year 2018, $0 of qualifying proceeds were used to reduce the capital acquisition set-aside requirement to zero. At June 30, 2018, the School District still has $50,600,000 in qualifying proceeds that may be used to reduce the set-aside requirement for future years.

NOTE 18 – CONTRACTUAL COMMITMENTS

As of June 30, 2018, the School District had the following commitments with respect to the new high school project:

Project	Contractor	Amount Remaining	Estimated Completion Date
New HS - A/E Services	BSHM	$ 2,860,121	December 2020
New HS - CMR Precon Services	Robertson Construction	101,229	June 2019
New HS - Owner Agent Services	Hill International	237,499	December 2020
New HS - Commissioning Services	Heapy Engineering	235,925	December 2020
New HS - Early Site Package	Robertson Construction	3,832,991	June 2019
		$ 7,267,764	

NOTE 19 – CONTINGENCIES

A. Grants

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

B. Litigation

The School District is currently not a party to any material legal proceedings.

C. Foundation Funding

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

NOTE 20 – ACCOUNTABILITY

Fund balances at fiscal year-end included the following individual deficits:

Other Governmental Funds	Deficit Fund Balances
IDEA-B	$ (111,686)
Title I	(86,945)

The GAAP basis deficit balances in the Other Governmental Funds are a result of the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year ending June 30, 2018, the School District has implemented the following:

GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities by establishing new accounting and financial reporting requirements for OPEB plans. The implementation of this statement had the following effect on net position as reported June 30, 2017:

	Governmental Activities
Net Position June 30, 2017	(32,447,976)
Adjustments:	
Net OPEB Liability	(11,941,665)
Deferred Outflows - Payments Subsequent to Measurement Date	89,303
Restated Net Position June 30, 2017	(44,300,338)

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

Other GASB Statements implemented in fiscal year 2018 are as follows:

GASB Statement No. 85 "Omnibus 2017" addresses practice issues that have been identified during implementation and application of certain GASB Statements. Specific issues discussed relate to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The implementation of this statement did not have a significant effect on the financial statements of the School District.

GASB Statement No. 86 "Certain Debt Extinguishment Issues" improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have an effect on the financial statements of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST FIVE FISCAL YEARS (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.1612604%	0.1551276%	0.1409540%	0.1335550%	0.1335550%
School District's Proportionate Share of the Net Pension Liability	$ 9,634,953	$ 11,353,909	$ 8,042,972	$ 6,759,143	$ 7,942,088
School District's Covered Payroll	$ 5,220,567	$ 4,838,121	$ 4,273,692	$ 3,902,864	$ 3,863,238
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	184.56%	234.68%	188.20%	173.18%	205.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST FIVE FISCAL YEARS (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.14799871%	0.13948374%	0.13166884%	0.12378332%	0.12378332%
School District's Proportionate Share of the Net Pension Liability	$ 35,157,411	$ 46,689,412	$ 36,389,416	$ 30,108,387	$ 30,494,855
School District's Covered Payroll	$ 16,245,998	$ 15,339,830	$ 14,224,836	$ 14,363,069	$ 12,212,484
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.41%	304.37%	255.82%	209.62%	249.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually Required Contribution	$ 697,379	$ 730,879	$ 677,337	$ 563,273
Contributions in Relation to the Contractually Required Contribution	$ (697,379)	$ (730,879)	$ (677,337)	$ (563,273)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 5,165,767	$ 5,220,567	$ 4,838,121	$ 4,273,692
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$ 540,937	$ 534,672	$ 562,629	$ 504,110	$ 499,154	$ 323,100
$ (540,937)	$ (534,672)	$ (562,629)	$ (504,110)	$ (499,154)	$ (323,100)
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,902,864	$ 3,863,238	$ 4,183,113	$ 4,010,422	$ 3,686,514	$ 3,283,537
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually Required Contribution	$ 2,420,272	$ 2,274,440	$ 2,147,576	$ 1,991,477
Contributions in Relation to the Contractually Required Contribution	$ (2,420,272)	$ (2,274,440)	$ (2,147,576)	$ (1,991,477)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 17,287,655	$ 16,245,998	$ 15,339,830	$ 14,224,836
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$ 1,867,199	$ 1,587,623	$ 1,651,494	$ 1,607,164	$ 1,495,773	$ 1,393,724
$ (1,867,199)	$ (1,587,623)	$ (1,651,494)	$ (1,607,164)	$ (1,495,773)	$ (1,393,724)
$ -	$ -	$ -	$ -	$ -	$ -
$ 14,363,069	$ 12,212,484	$ 12,703,800	$ 12,362,800	$ 11,505,946	$ 10,720,954
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TWO FISCAL YEARS (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.1636642%	0.1572441%
School District's Proportionate Share of the Net OPEB Liability	$ 4,392,317	$ 4,482,039
School District's Covered Payroll	$ 5,220,567	$ 4,838,121
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.13%	92.64%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TWO FISCAL YEARS (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.14799871%	0.13948374%
School District's Proportionate Share of the Net OPEB Liability	$ 5,774,364	$ 7,459,626
School District's Covered Payroll	$ 16,245,998	$ 15,339,830
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.54%	48.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually Required Contribution (1)	$ 113,353	$ 89,303	$ 79,732	$ 102,360
Contributions in Relation to the Contractually Required Contribution	$ 113,353	$ 89,303	$ 79,732	$ 102,360
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 5,165,767	$ 5,220,567	$ 4,838,121	$ 4,273,692
Contributions as a Percentage of Covered Payroll (1)	2.19%	1.71%	1.65%	2.40%

(1) Includes Surcharge

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$ 72,078	$ 72,605	$ 84,470	$ 124,914	$ 79,485	$ 225,393
$ 72,078	$ 72,605	$ 84,470	$ 124,914	$ 79,485	$ 225,393
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,902,864	$ 3,863,238	$ 4,183,113	$ 4,010,422	$ 3,686,514	$ 3,283,537
1.85%	1.88%	2.02%	3.11%	2.16%	6.86%

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually Required Contribution	$ -	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	$ -	$ -	$ -	$ -
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 17,287,655	$ 16,245,998	$ 15,339,830	$ 14,224,836
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

2014		2013		2012		2011		2010		2009	
$	143,631	$	122,125	$	127,038	$	123,628	$	115,059	$	107,210
$	143,631	$	122,125	$	127,038	$	123,628	$	115,059	$	107,210
$	-	$	-	$	-	$	-	$	-	$	-
$	14,363,069	$	12,212,484	$	12,703,800	$	12,362,800	$	11,505,946	$	10,720,954
	1.00%		1.00%		1.00%		1.00%		1.00%		1.00%

NOTE 1 – NET PENSION LIABILITY

School Employees Retirement System

Changes in benefit terms:

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions:

There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for fiscal year 2018.

State Teachers Retirement System

Changes in benefit terms:

For fiscal year 2018, the COLA was reduced to zero.

Changes in assumptions:

For fiscal year 2018, the STRS Board adopted several assumption changes, including changes to:

- Inflation assumption lowered from 2.75% to 2.50%;
- Investment return assumption lowered from 7.75% to 7.45%;
- Total salary increases rates lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation;
- Payroll growth assumption lowered to 3.00%;
- Updated the healthy and disabled mortality assumption to the "RP-2014" mortality tables with generational improvement scale MP-2016; and
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

NOTE 2 – NET OPEB LIABILITY

School Employees Retirement System

Changes in Assumptions:

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

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

State Teachers Retirement System

Changes in Assumptions:

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

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

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
	U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
	Child Nutrition Cluster:			
(D)	School Breakfast Program	10.553	2018	$ 377,272
(D)	National School Lunch Program	10.555	2018	829,653
(C)	National School Lunch Program - Food Donation	10.555	2018	153,782
	Total National School Lunch Program			983,435
	Total Child Nutrition Cluster and U.S. Department of Agriculture			1,360,707
	U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
	Title I Grants to Local Educational Agencies	84.010	2017	55,129
	Title I Grants to Local Educational Agencies	84.010	2018	590,905
	Total Title I Grants to Local Educational Agencies			646,034
	Special Education Cluster:			
	Special Education_Grants to States	84.027	2017	28,961
	Special Education_Grants to States	84.027	2018	678,098
	Total Special Education_Grants to States			707,059
	Special Education_Preschool Grants	84.173	2018	36,850
	Total Special Education Cluster			743,909
	English Language Acquisition State Grants	84.365	2018	61,648
	English Language Acquisition State Grants - Immigrant	84.365	2018	9,786
	Total English Language Acquisition State Grants			71,434
	Improving Teacher Quality State Grants	84.367	2018	3,725
	Total U.S. Department of Education			1,465,102
	Total Federal Financial Assistance			$ 2,825,809

Notes to the Schedule of Expenditures of Federal Awards:

(A) OAKS did not assign pass-through numbers for fiscal year 2018.

(B) This schedule includes the federal award activity of the Licking Heights Local School District under programs of the federal government for the fiscal year ended June 30, 2018 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Licking Heights Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Licking Heights Local School District.

(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.

(D) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.

(E) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Licking Heights Local School District has not elected to use the 10% de minimis indirect cost rate.

This page intentionally left blank.

Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Licking Heights Local School District
Licking County
6539 Summit Road SW
Pataskala, Ohio 43062

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Heights Local School District, Licking County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Licking Heights Local School District's basic financial statements and have issued our report thereon dated December 20, 2018, wherein we noted as discussed in Note 21, the Licking Heights Local School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Licking Heights Local 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 Licking Heights Local 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 Licking Heights Local 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 Licking Heights Local 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Licking Heights Local 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 Licking Heights Local School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 20, 2018

Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Licking Heights Local School District
Licking County
6539 Summit Road SW
Pataskala, Ohio 43062

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 20, 2018

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	*Type of Financial Statement Opinion*	Unmodified
(d)(1)(ii)	*Were there any material control weaknesses reported at the financial statement level (GAGAS)?*	No
(d)(1)(ii)	*Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?*	No
(d)(1)(iii)	*Was there any reported material noncompliance at the financial statement level (GAGAS)?*	No
(d)(1)(iv)	*Were there any material internal control weaknesses reported for major federal programs?*	No
(d)(1)(iv)	*Were there any significant deficiencies in internal control reported for major federal programs?*	No
(d)(1)(v)	*Type of Major Program's Compliance Opinion*	Unmodified
(d)(1)(vi)	*Are there any reportable findings under 2 CFR §200.516(a)?*	No
(d)(1)(vii)	*Major Program (listed):*	Child Nutrition Cluster
(d)(1)(viii)	*Dollar Threshold: Type A/B Programs*	Type A: > $750,000 Type B: all others
(d)(1)(ix)	*Low Risk Auditee under 2 CFR § 200.520?*	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
JUNE 30, 2018

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2017-001	2017	Material Weakness - Financial Statement Presentation - Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. Adjustments were made to the financial statements and note disclosures for the fiscal year ended June 30, 2017, to properly account for property taxes and the prior period restatement of fund balances.	Corrective Action taken and finding is fully corrected.	N/A
2017-002	2016	Significant Deficiency - Payroll Controls - Proper controls over the payroll process help ensure that pay runs contain no errors, whether due to fraud or error. We were unable to locate approved documentation regarding certain employees' regular working schedule.	Corrective Action taken and finding is fully corrected.	N/A

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 19, 2019

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov