MARTINS FERRY CITY SCHOOL DISTRICT
BELMONT COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

MARTINS FERRY CITY SCHOOL DISTRICT
BELMONT COUNTY
JUNE 30, 2018

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Martins Ferry City School District
Belmont County
5001 Ayers Limestone Road
Martins Ferry, Ohio 43935

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 Martins Ferry City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the 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.* Also as discussed in Note 3 to the financial statements, the School District restated beginning fund balances related to cumulative adjustments related to the School District's prior reporting of tangible personal property tax reimbursements between the Debt Service Fund and the Permanent Improvement Fund. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-employment Benefit Liabilities and Pension and Other Post-employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

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

The Schedule of Expenditures of Federal Awards (the Schedule) 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 May 29, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

May 29, 2019

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The discussion and analysis of the Martins Ferry City 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2018 are as follows:

- In total, net position increased $7,281,685.

- General revenues accounted for $14,839,026 in revenue or approximately 74 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for $5,102,551 or approximately 26 percent of total revenues of $19,941,577.

- Total assets of governmental activities decreased $305,897, primarily due annual depreciation of capital assets. Total liabilities decreased $6,814,820, primarily due to a decrease in the School District's net pension liability.

- The School District had $12,659,892 in expenses related to governmental activities; only $5,102,551 of these expenses were offset by program specific charges for services and sales, operating grants and contributions, and capital grants and contributions. General revenues of $14,839,026 were adequate to provide for these programs as well as the special item.

- Total governmental funds had $20,008,025 in revenues and $18,795,667 in expenditures. Overall, including other financing sources and uses, Total Governmental Funds' balance increased $1,212,358.

Using this Annual Financial Report

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 Martins Ferry City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The *Statement of Net Position* and *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. In the case of Martins Ferry City School District, the General Fund, the Schoolwide Pool Special Revenue Fund, and the Debt Service Fund are the only major or significant funds.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those assets. 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, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District's activities are all considered to be Governmental Activities including instruction, support services, operation and maintenance of plant, pupil transportation, food service, debt service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple 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, the Schoolwide Pool Special Revenue Fund, and the Debt Service 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 yearend 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 governmental 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.

Reporting the District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported as agency funds. The School District's fiduciary activities are reported in a separate Statement of Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities		
	2018	2017	Net Change
Assets			
Current and Other Assets	$14,441,683	$13,489,249	$952,434
Capital Assets	33,588,236	34,846,567	(1,258,331)
Total Assets	48,029,919	48,335,816	(305,897)
Deferred Outflows of Resources			
Pension	5,439,561	4,177,186	1,262,375
OPEB	274,004	27,121	246,883
Total Deferred Outflows of Resources	5,713,565	4,204,307	1,509,258
Liabilities			
Current and Other Liabilities	1,841,738	1,854,621	(12,883)
Long-Term Liabilities:			
Due Within One Year	702,030	793,824	(91,794)
Due in More than One Year:			
Net Pension Liability	16,707,844	22,330,549	(5,622,705)
Net OPEB Liability	3,658,117	4,432,896	(774,779)
Other Amounts	12,982,640	13,295,299	(312,659)
Total Liabilities	35,892,369	42,707,189	(6,814,820)
Deferred Inflows of Resources			
Property Taxes	4,180,450	4,351,591	(171,141)
Pension	705,732	212,148	493,584
OPEB	414,053	0	414,053
Total Deferred Inflows of Resources	5,300,235	4,563,739	736,496
Net Position			
Net Investment in Capital Assets	22,719,936	23,546,824	(826,888)
Restricted	3,865,125	3,785,214	79,911
Unrestricted (Deficit)	(14,034,181)	(22,062,843)	8,028,662
Total Net Position	$12,550,880	$5,269,195	$7,281,685

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

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

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

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

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

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

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

Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $9,674,970 to $5,269,195.

Total assets of governmental activities decreased $305,897. Current and other assets increased by $952,434 primarily due to increases in cash and cash equivalents. This increase was offset by decreases in property taxes receivable primarily due to a slight decrease in assessed valuation associated with public utility personal property taxes for gas and oil pipelines. Capital assets decreased $1,258,331 primarily due to annual depreciation.

Total liabilities of governmental activities decreased $6,814,820. Long term liabilities decreased $6,801,937 primarily due to the decreases in the net pension liability as a result of changes made by the respective pension systems, as well as the retirement of a Capital Appreciation Bond. Current and other liabilities reflect a slight decrease.

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

Table 2
Changes in Net Position

	Governmental Activities		
	2018	2017	Net Change
Revenues			
Program Revenue			
Charges for Services and Sales	$1,982,515	$1,811,194	$171,321
Operating Grants and Contributions	3,111,897	3,299,204	(187,307)
Capital Grants and Contributions	8,139	0	8,139
Total Progam Revenue	5,102,551	5,110,398	(7,847)
General Revenue			
Property Taxes	5,092,548	4,031,995	1,060,553
Grants and Entitlements	9,576,372	9,870,625	(294,253)
Gifts and Donations	28,542	45,930	(17,388)
Investment Earnings	49,527	25,190	24,337
Gas and Oil Lease Bonus	0	535,185	(535,185)
Miscellaneous	92,037	86,835	5,202
Total General Revenue	14,839,026	14,595,760	243,266
Total Revenues	$19,941,577	$19,706,158	$235,419

(Continued)

Table 2
Changes in Net Position (Continued)
Governmental Activities

	2018	2017	Net Change
Program Expenses			
Instruction:			
Regular	$4,132,407	$8,592,007	($4,459,600)
Special	1,838,687	2,956,225	(1,117,538)
Vocational	179,831	381,807	(201,976)
Support Services:			
Pupil	230,602	568,384	(337,782)
Instructional Staff	221,135	429,913	(208,778)
Board of Education	65,079	72,133	(7,054)
Administration	807,696	1,380,575	(572,879)
Fiscal	547,627	462,641	84,986
Operation and Maintenance of Plant	1,895,435	1,622,663	272,772
Pupil Transportation	701,146	799,848	(98,702)
Central	81,033	90,213	(9,180)
Operation of Non-Instructional Services	142,350	147,036	(4,686)
Food Service Operations	726,225	831,464	(105,239)
Extracurricular Activities	496,188	576,082	(79,894)
Interest and Fiscal Charges	594,451	487,983	106,468
Total Expenses	12,659,892	19,398,974	(6,739,082)
Special Item	0	(226,864)	226,864
Change in Net Position	7,281,685	80,320	7,201,365
Restatement	0	(4,405,775)	4,405,775
Net Position Beginning of Year	5,269,195	9,594,650	(4,325,455)
Net Position End of Year	$12,550,880	$5,269,195	$7,281,685

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 $27,121 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 $567,133. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$12,659,892
Negative OPEB expense under GASB 75	567,133
2018 contractually required contribution	40,476
Adjusted 2018 program expenses	13,267,501
Total 2017 program expenses under GASB 45	19,398,974
Decrease in program expenses not related to OPEB	($6,131,473)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 11) As a result of these changes, pension expense decreased from $1,717,832 in fiscal year 2017 to a negative pension expense of $5,265,139 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	($3,118,971)
Special	(940,591)
Vocational	(170,032)
Support Services:	
Pupils	(292,381)
Instructional Staff	(128,696)
Board of Education	(2,509)
Administration	(526,188)
Fiscal	(9,691)
Operation and Maintenance of Plant	(24,179)
Pupil Transportation	(15,221)
Central	(2,363)
Operation of Non-Instructional Services	(53)
Food Service Operations	(8,885)
Extracurricular Activities	(25,379)
Total Expenses	($5,265,139)

Instruction comprises approximately 49 percent of governmental program expenses, and as a result of the previously addressed effect of the changes made by the pension systems, decreased $5,779,114 from the prior year.

Property taxes comprise 25 percent of revenues for the School District, and unrestricted grants and entitlements comprise 48 percent of revenues for fiscal year 2018. Program revenue operating grants decreased $187,307 from the prior year, primarily due to decreases in Federal funding. Decreases in operating grants were offset by increases in charges for services and sales, primarily due to tuition and fees.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2018 compared to fiscal year 2017. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction:				
Regular	4,132,407	$8,592,007	$2,079,744	$6,671,494
Special	1,838,687	2,956,225	5,932	1,065,479
Vocational	179,831	381,807	39,540	240,107
Support Services:				
Pupil	230,602	568,384	229,492	568,384
Instructional Staff	221,135	429,913	221,135	429,913
Board of Education	65,079	72,133	65,079	72,133
Administration	807,696	1,380,575	807,696	1,380,575
Fiscal	547,627	462,641	337,307	253,387
Operation and Maintenance of Plant	1,895,435	1,622,663	1,875,242	1,619,493
Pupil Transportation	701,146	799,848	701,146	799,848
Central	81,033	90,213	78,553	79,708
Operation of Non-Instructional Services	142,350	147,036	20,716	9,301
Food Service Operations	726,225	831,464	97,162	154,366
Extracurricular Activities	496,188	576,082	404,146	456,405
Interest and Fiscal Charges	594,451	487,983	594,451	487,983
Total Expenses	$12,659,892	$19,398,974	$7,557,341	$14,288,576

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as approximately 60 percent of total expenses are supported through taxes and other general revenues.

The School District Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The School District has three major funds, the General Fund, the Schoolwide Pool Special Revenue Fund, and the Debt Service Fund. The General Fund had $16,766,326 in revenues and $13,526,546 in expenditures. Including other financing uses, the General Fund's balance increased $904,408, as increases in property tax revenue have exceeded increases in the costs of operation. The Schoolwide Pool Fund had $514,233 in revenues and $2,673,138 in expenditures. Including other financing sources, the Schoolwide Pool had no change in fund balance. The Debt Service Fund had revenues in the amount of $938,350 and expenditures in the amount of $800,314. Including other financing sources, the Debt Service Fund's balance increased $213,036, as the School District accumulates resources for its future debt service obligations.

General Fund Budgeting Highlights

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

During the course of fiscal 2018, the School District amended its General Fund budget, and the budgetary statement reflects both the original and final amounts. The changes between the original and the final budget reflected an increase in intergovernmental revenue, and tuition and fees estimates. The School District made no changes to its original appropriations.

The actual results of operations were not significantly different than budgeted amounts for revenues, while actual expenditures and transfers out were considerably less than appropriated.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $33,588,236 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles, net of depreciation. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017.

Table 4
Capital Assets Net of Depreciation
Governmental Activities

	2018	2017
Land	$2,436,556	$2,436,556
Construction in Progress	17,950	0
Land Improvements	2,126,266	2,293,699
Buildings and Improvements	28,513,591	29,501,019
Furniture and Equipment	163,144	241,943
Vehicles	330,729	373,350
Totals	$33,588,236	$34,846,567

See Note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2018, the School District had $10,806,112 in outstanding general obligation bonds including accretion of interest on capital appreciation bonds, premiums, discounts, and Qualified Zone Academy Bonds. In addition, the School District had $1,883,000 in outstanding capital leases.

Table 5
Outstanding Debt at Fiscal Year End
Governmental Activities

	2018	2017
2005 School Construction and Improvement Bonds		
Serial/Term Bonds	$0	$105,000
2012 Refunding Bonds		
Serial Bonds	7,115,000	7,115,000
Capital Appreciation Bonds	202,192	294,992
Accretion on Capital Appreciation Bonds	909,563	932,218
Premium	1,135,861	1,211,572
Discount	(56,504)	(60,271)
2016 Qualified Zone Academy Bonds	1,500,000	1,500,000
Capital Leases	1,883,000	2,035,000
Total	$12,689,112	$13,133,511

See Note 16 for more detailed information related to the School District's debt and other long-term obligations, including compensated absences, long-term intergovernmental payable, and net pension/OPEB liabilities.

Economic Factors

During fiscal year 2018 the School District continued its schoolwide pool for the elementary school, where 60 percent of the student population qualifies for a free or reduced lunch. The schoolwide pool combines General Fund moneys with Title I and Title II-A Federal moneys which allows the School District more flexibility for the use of its Federal funds. The School District Board of Education approved a forecast reflecting an increase in revenues for fiscal year 2019 due to increased revenue from open enrollment tuition and fees. The School District State Foundation revenue is forecasted to remain consistent for fiscal year 2019, due to the Board of Education anticipating that the School District will remain on the guarantee. The foundation revenue is projected to stay flat throughout the remainder of the forecast. The forecast reflects capital improvement increases in expenditures. Salary and wage expenses are expected to increase in fiscal year 2019 as part the current negotiated contract which calls for an additional 4 percent increase in fiscal year 2019. The School District has made great strides to control costs associated with healthcare in the coming fiscal years. The School District joined the Portage Area School Consortium for health insurance purchasing in the prior year. See Risk Management Note 10 for more information on health benefits. In fiscal year 2016, the School District issued $1,500,000 Qualified Zone Academy Bonds (QZAB) to be used to fund energy savings projects throughout the School District, as well as to purchase propane buses, upgrade telephone systems, and to initially find the creation of a STEM Academy. These bond dollars are nearly exhausted but relieved the School District of the above expenses in exchange for a 15-year interest free loan.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Dana Garrison, Interim-Treasurer/CFO at Martins Ferry City School District, 5001 Ayers Limestone Rd, Martins Ferry, Ohio 43935.

Martins Ferry City School District

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$8,611,021
Investments with Fiscal and Escrow Agents	151,418
Intergovernmental Receivable	277,053
Materials and Supplies Inventory	65,027
Property Taxes Receivable	4,847,751
Accounts Receivable	301,000
Prepaid Items	188,413
Non-Depreciable Capital Assets	2,454,506
Depreciable Capital Assets, Net	31,133,730
Total Assets	48,029,919
Deferred Outflows of Resources	
Pension	5,439,561
OPEB	274,004
Total Deferred Outflows of Resources	5,713,565
Liabilities	
Accounts Payable	90,242
Accrued Wages and Benefits Payable	1,307,074
Intergovernmental Payable	361,861
Accrued Interest Payable	19,033
Vacation Benefits Payable	63,528
Long-Term Liabilities:	
Due Within One Year	702,030
Due In More Than One Year:	
Net Pension Liability	16,707,844
Net OPEB Liability	3,658,117
Other Amounts	12,982,640
Total Liabilities	35,892,369
Deferred Inflows of Resources	
Property Taxes	4,180,450
Pension	705,732
OPEB	414,053
Total Deferred Inflows of Resources	5,300,235
Net Position	
Net Investment in Capital Assets	22,719,936
Restricted for:	
Debt Service	1,767,145
Capital Projects	1,564,202
Food Service	229,181
Classroom Facilities Maintenance	208,764
State Programs	42,993
Federal Programs	52,122
Other Purposes	718
Unrestricted (Deficit)	(14,034,181)
Total Net Position	$12,550,880

See accompanying notes to the basic financial statements

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	$4,132,407	$1,685,455	$367,208	$0	($2,079,744)
Special	1,838,687	0	1,832,755	0	(5,932)
Vocational	179,831	0	140,291	0	(39,540)
Support Services:					
Pupil	230,602	0	1,110	0	(229,492)
Instructional Staff	221,135	0	0	0	(221,135)
Board of Education	65,079	0	0	0	(65,079)
Administration	807,696	0	0	0	(807,696)
Fiscal	547,627	0	210,320	0	(337,307)
Operation and Maintenance of Plant	1,895,435	12,054	0	8,139	(1,875,242)
Pupil Transportation	701,146	0	0	0	(701,146)
Central	81,033	0	2,480	0	(78,553)
Operation of Non-Instructional Service	142,350	0	121,634	0	(20,716)
Food Service Operations	726,225	199,723	429,340	0	(97,162)
Extracurricular Activities	496,188	85,283	6,759	0	(404,146)
Interest and Fiscal Charges	594,451	0	0	0	(594,451)
Total Governmental Activities	$12,659,892	$1,982,515	$3,111,897	$8,139	(7,557,341)

General Revenues	
Property Taxes Levied for General Purposes	4,068,475
Property Taxes Levied for Capital Outlay	170,174
Property Taxes Levied for Debt Service	794,084
Property Taxes Levied for Building Maintenance	59,815
Grants and Entitlements not Restricted to Specific Programs	9,576,372
Gifts and Donations	28,542
Investment Earnings	49,527
Miscellaneous	92,037
Total General Revenues	14,839,026
Change in Net Position	7,281,685
Net Position Beginning of Year - Restated (Note 3)	5,269,195
Net Position End of Year	$12,550,880

See accompanying notes to the basic financial statements

Martins Ferry City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General	Schoolwide Pool	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$5,524,887	$0	$1,511,275	$1,574,859	$8,611,021
Restricted Assets:					
Investments with Fiscal and Escrow Agents	0	0	151,418	0	151,418
Receivables:					
Property Taxes	3,782,162	0	835,765	229,824	4,847,751
Accounts	0	0	0	301,000	301,000
Intergovernmental	134,721	0	0	142,332	277,053
Interfund	0	350,227	0	0	350,227
Prepaid Items	13,172	0	0	175,241	188,413
Materials and Supplies Inventory	47,554	0	0	17,473	65,027
Total Assets	$9,502,496	$350,227	$2,498,458	$2,440,729	$14,791,910
Liabilities					
Accounts Payable	$22,347	$0	$0	$67,895	$90,242
Accrued Wages and Benefits Payable	952,802	310,921	0	43,351	1,307,074
Interfund Payable	274,230	0	0	75,997	350,227
Intergovernmental Payable	315,776	39,306	0	6,779	361,861
Total Liabilities	1,565,155	350,227	0	194,022	2,109,404
Deferred Inflows of Resources					
Property Taxes	3,267,446	0	712,280	200,724	4,180,450
Unavailable Revenue	427,390	0	84,765	370,500	882,655
Total Deferred Inflows of Resources	3,694,836	0	797,045	571,224	5,063,105
Fund Balances					
Nonspendable:					
Inventories	47,554	0	0	17,473	65,027
Prepaids	13,172	0	0	175,241	188,413
Restricted for:					
Debt Service	0	0	1,701,413	0	1,701,413
Capital Projects	0	0	0	1,084,489	1,084,489
Food Service Operations	0	0	0	211,708	211,708
Classroom Facilities Maintenance	0	0	0	203,777	203,777
Local Programs	0	0	0	718	718
State Programs	0	0	0	32,413	32,413
Federal Programs	0	0	0	12,910	12,910
Committed to:					
Termination Benefits	89,160	0	0	0	89,160
Assigned for:					
Purchases on Order	125,565	0	0	0	125,565
Capital Projects	500,000	0	0	0	500,000
Unassigned	3,467,054	0	0	(63,246)	3,403,808
Total Fund Balances	4,242,505	0	1,701,413	1,675,483	7,619,401
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$9,502,496	$350,227	$2,498,458	$2,440,729	$14,791,910

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances		$7,619,401
Amounts reported for governmental activities in the Statement of Net Position are different because		
Capital assets used in governmental activities are not financia resources and therefore are not reported in the funds		33,588,236
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds		
Property Taxes	457,690	
Grants	49,551	
Gifts and Donations	301,000	
Tuition and Fees	74,414	
Total		882,655
In the Statement of Activities, interest is accrued on outstanding bonds and notes, wherea in the governmental funds, an interest expenditure is reported when due		(19,033)
Vacation Benefits Payable is recognized for earned vacation benefits that are not expecte to be paid with expendable available financial resources are therefore are not reported in the funds		(63,528)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds - Serial	7,115,000	
General Obligation Bonds - Capital Appreciation Bonds	202,192	
Capital Appreciation Bond Interest Accretion	909,563	
Premium on Serial/Term Bonds	1,135,861	
Discount on Serial Bonds	(56,504)	
Qualified Zone Academy Bonds	1,500,000	
Intergovernmental Payable	10,000	
Capital Leases	1,883,000	
Compensated Absences	985,558	
Total		(13,684,670)
The net pension/OPEB liability is not due and payable in the current period; therefore the liability and related deferred inflows/outflows are not reported in the governmental funds		
Deferred Outflows - Pension	5,439,561	
Deferred Outflows - OPEB	274,004	
Net Pension Liability	(16,707,844)	
Net OPEB Liability	(3,658,117)	
Deferred Inflows - Pension	(705,732)	
Deferred Inflows - OPEB	(414,053)	
Total		(15,772,181)
Net Position of Governmental Activities		$12,550,880

See accompanying notes to the basic financial statements

Martins Ferry City School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2018

	General	Schoolwide Pool	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$4,022,905	$0	$783,405	$227,394	$5,033,704
Intergovernmental	10,940,185	514,233	145,493	1,093,828	12,693,739
Investment Earnings	38,528	0	9,452	1,547	49,527
Tuition and Fees	1,635,036	0	0	0	1,635,036
Extracurricular Activities	0	0	0	85,283	85,283
Rent	12,054	0	0	0	12,054
Contributions and Donations	10,061	0	0	168,981	179,042
Charges for Services	27,880	0	0	199,723	227,603
Miscellaneous	79,677	0	0	12,360	92,037
Total Revenues	16,766,326	514,233	938,350	1,789,116	20,008,025
Expenditures					
Current:					
Instruction:					
Regular	5,594,236	1,854,034	0	267,534	7,715,804
Special	1,701,200	819,104	0	466,793	2,987,097
Vocational	401,973	0	0	0	401,973
Support Services:					
Pupil	602,718	0	0	1,211	603,929
Instructional Staff	343,728	0	0	0	343,728
Board of Education	73,030	0	0	0	73,030
Administration	1,314,814	0	0	0	1,314,814
Fiscal	471,260	0	16,119	4,495	491,874
Operation and Maintenance of Plant	1,569,905	0	0	100	1,570,005
Pupil Transportation	664,232	0	0	0	664,232
Central	88,856	0	0	2,706	91,562
Operation of Non-Instructional Services	0	0	0	142,518	142,518
Food Service Operations	0	0	0	648,550	648,550
Extracurricular Activities	286,290	0	0	131,478	417,768
Capital Outlay	159,217	0	0	130,284	289,501
Debt Service:					
Principal Retirement	152,000	0	197,800	0	349,800
Interest and Fiscal Charges	103,087	0	234,195	0	337,282
CAB Accretion	0	0	352,200	0	352,200
Total Expenditures	13,526,546	2,673,138	800,314	1,795,669	18,795,667
Excess of Revenues Over (Under) Expenditures	3,239,780	(2,158,905)	138,036	(6,553)	1,212,358
Other Financing Sources (Uses)					
Transfers In	0	2,158,905	75,000	101,467	2,335,372
Transfers Out	(2,335,372)	0	0	0	(2,335,372)
Total Other Financing Sources (Uses)	(2,335,372)	2,158,905	75,000	101,467	0
Net Change in Fund Balances	904,408	0	213,036	94,914	1,212,358
Fund Balances Beginning of Year - Restated (Note 3)	3,338,097	0	1,488,377	1,580,569	6,407,043
Fund Balances End of Year	$4,242,505	$0	$1,701,413	$1,675,483	$7,619,401

See accompanying notes to the basic financial statements

Martins Ferry City School District

Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$1,212,358
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. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital Assets Additions	129,716	
Depreciation Expense	(1,396,186)	
Total		(1,266,470)
Capital Contributions of assets that are not reported in the funds but are additions to capital assets on the entity-wide statements.		8,139
Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
Property Taxes	58,844	
Grants	(5,470)	
Gifts and Donation	(150,500)	
Tuition and Fees	22,539	
Total		(74,587)
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt in the Statement of Activities, and the accretion of interest on capital appreciation bonds is reported in the Statement of Activities.		
Accrued Interest	432	
Accretion on Capital Appreciation Bonds	(329,545)	
Total		(329,113)
Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds in the Statement of Activities.		75,711
Bond discounts are reported as other financing uses in the governmental funds, but are allocated as an expense over the life of the bonds in the Statement of Activities.		(3,767)
Repayment of principal/accretion on capital appreciation bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
General Obligation Bonds - Term	105,000	
Capital Appreciation Bonds	92,800	
Accretion on Capital Appreciation Bonds	352,200	
Capital Leases	152,000	
Total		702,000
Some expenses reported in the Statement of Activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Vacation Benefits Payable	(1,745)	
Intergovernmental Payable	5,000	
Compensated Absences	(44,946)	
Total		(41,691)
Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		
Pension	1,126,357	
OPEB	40,476	
Total		1,166,833
Except for amounts reported as deferred inflows/outflows, changes in net pension/OPEB liability are reported as pension/OPEB expense in the Statement of Activities		
Pension	5,265,139	
OPEB	567,133	
Total		5,832,272
Change in Net Position of Governmental Activities		$7,281,685

See accompanying notes to the basic financial statements

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	$4,145,000	$4,145,000	$3,989,434	($155,566)
Intergovernmental	10,105,450	10,973,652	10,930,340	(43,312)
Interest	36,000	38,806	38,528	(278)
Tuition and Fees	1,517,000	1,646,853	1,635,036	(11,817)
Rent	0	0	12,054	12,054
Charges for Services	26,000	28,082	27,880	(202)
Contributions and Donations	0	61	10,061	10,000
Miscellaneous	80,000	86,996	79,677	(7,319)
Total Revenues	15,909,450	16,919,450	16,723,010	(196,440)
Expenditures				
Current:				
Instruction:				
Regular	6,000,650	6,000,650	5,664,402	336,248
Special	1,737,315	1,737,315	1,678,538	58,777
Vocational	462,946	462,946	397,925	65,021
Support Services:				
Pupil	629,497	629,497	594,078	35,419
Instructional Staff	369,644	369,644	348,846	20,798
Board of Education	80,117	80,117	75,692	4,425
Administration	1,331,187	1,331,187	1,265,977	65,210
Fiscal	483,192	483,192	456,005	27,187
Operation and Maintenance of Plant	1,599,048	1,599,048	1,644,207	(45,159)
Pupil Transportation	707,913	707,913	670,735	37,178
Central	96,435	96,435	91,009	5,426
Extracurricular Activities	304,595	304,595	289,901	14,694
Capital Outlay	168,709	168,709	159,217	9,492
Debt Service:				
Principal Retirement	161,484	161,484	152,000	9,484
Interest and Fiscal Charges	108,811	108,811	103,087	5,724
Total Expenditures	14,241,543	14,241,543	13,591,619	649,924
Excess of Revenues Over Expenditures	1,667,907	2,677,907	3,131,391	453,484
Other Financing Uses				
Transfers Out	(2,758,457)	(2,758,457)	(2,402,012)	356,445
Net Change in Fund Balance	(1,090,550)	(80,550)	729,379	809,929
Fund Balance Beginning of Year	4,602,291	4,602,291	4,602,291	0
Prior Year Encumbrances Appropriated	201,945	201,945	201,945	0
Fund Balance End of Year	$3,713,686	$4,723,686	$5,533,615	$809,929

See accompanying notes to the basic financial statements

Martins Ferry City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Schoolwide Pool Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	$0	$0	$0	$0
Expenditures				
Current:				
Instruction:				
Regular	1,772,540	1,897,540	1,857,628	39,912
Special	777,460	777,460	814,780	(37,320)
Total Expenditures	2,550,000	2,675,000	2,672,408	2,592
Excess of Revenues Under Expenditures	(2,550,000)	(2,675,000)	(2,672,408)	2,592
Other Financing Sources				
Transfers In	2,550,000	2,787,000	2,786,433	(567)
Net Change in Fund Balance	0	112,000	114,025	2,025
Fund Balance (Deficit) Beginning of Year	(272,891)	(272,891)	(272,891)	0
Fund Balance (Deficit) End of Year	($272,891)	($160,891)	($158,866)	$2,025

See accompanying notes to the basic financial statements

Martins Ferry City School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2018

	Agency
Assets	
Equity in Pooled Cash and Cash Equivalents	$40,969
Total Assets	$40,969
Liabilities	
Due to Students	$40,969
Total Liabilities	$40,969

See accompanying notes to the basic financial statements

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Martins Ferry City 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/or federal guidelines.

The School District was established in 1853 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 12 square miles. It is located in Belmont County and includes all the city of Martins Ferry and portions of Pease and Colerain Townships. It is staffed by 53 non-certified employees, 106 certified full-time teaching personnel and 17 administrative employees, who provide services to 1,424 students and other community members. The School District currently operates 2 instructional/support buildings, 1 administrative building, and 1 bus garage facility.

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 of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Martins Ferry City 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 for which the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The School District has no component units.

Parochial Schools – Within the School District boundaries, St. Mary's Central Elementary School is operated through the Steubenville Catholic Diocese; Martins Ferry Christian School is operated as a private school. Current State legislation provides funding to these parochial schools. These monies are received and distributed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School Districts is reflected in a special revenue fund for financial reporting purposes.

The School District participates in the Belmont-Harrison Vocational School District, and the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), which are jointly governed organizations, the Ohio School Comp – OASBO/OSBA Workers' Compensation Group Retrospective Rating Program (GRRP), the Ohio School Plan (OSP), and the Portage Area School Consortium (Consortium), which are defined as insurance purchasing pools. These organizations are presented in Notes 17 and 18.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District however has no business type activities.

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

B. Fund Accounting

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

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

> ***General Fund*** The General Fund accounts for and reports 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 and transferred according to the general laws of Ohio.
>
> ***Schoolwide Pool Fund*** – The Schoolwide Pool Fund is used to account for all financial resources required to operate the elementary school. The No Child Left Behind Act of 2001 provided the authority to pool all federal state and local funds necessary to upgrade the instructional program of school buildings where forty percent or greater of the student are from low-income families. The fund is utilized to pay all costs associated with operating the elementary school.
>
> ***Debt Service Fund*** The Debt Service Fund accounts for and reports property tax revenues restricted for the payment of, general long-term debt principal and interest.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no proprietary funds.

Fiduciary Fund Types Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District’s own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District’s agency fund accounts for student activities and assets held by the School District as an agent for outside activities.

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). 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 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 year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

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 pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

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, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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, intergovernmental grants, and tuition and fees. 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 11 and 12)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

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

Following Ohio Statutes, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to $38,528, which includes $6,120 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as Equity in Pooled Cash and Cash Equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

During fiscal year 2018, investments were limited to money market mutual funds, which are measured at fair value.

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in governmental funds represent unexpended revenues restricted for amounts in a debt service fiscal agent account restricted by debt covenants for future debt service payments.

G. Prepaid Items

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

H. Inventory

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

I. Capital Assets

The School District’s only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds and are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

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

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

Description	Estimated Lives
Land	N/A
Construction in Progress	N/A
Land Improvements	5 - 50 Years
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5-20 Years
Vehicles	5 - 20 Years

J. Interfund Balances

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

K. Compensated Absences

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

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

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

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. 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.

N. Bond Discounts, Bond Premiums, and Bond Issuance Costs

On the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. On the governmental fund financial statements, bond premiums, and bond discounts are recognized in the period in which the bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Bond issuance costs are expensed in the funds in the period the bonds are issued.

O. Internal Activity

Transfers within government activities on the government-wide financial statements are reported in the same manner as general revenue.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on 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/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Fund Balance

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

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

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restriced by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. For fiscal year 2018, the School District has a committed fund balance for termination benefits.

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

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

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

Q. Net Position

Net position represent the difference between assets and liabilities. 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 are 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. Net position restricted for other purposes include resources from local sources restricted to expenditures for student programs.

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

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 with the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

S. Estimates

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

T. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set 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 for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLE/RESTATEMENT OF NET POSITION and RESTATEMENT OF FUND BALANCE

Changes in Accounting Principle

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

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

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

Restatement of Net Position

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

Net Position June 30, 2017	$9,674,970
Adjustments:	
Net OPEB Liability	(4,432,896)
Deferred Outflow - Payments Subsequent to Measurement Date	27,121
Restated Net Position June 30, 2017	$5,269,195

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.

Restatement of Fund Balance

The School District is restating beginning fund balances related to cumulative adjustments related to School District's prior reporting of tangible personal property tax reimbursements between the Debt Service Fund and the Permanent Improvement Fund. The restatement had no effect on net position. The adjustments had the following effect on fund balances as reported June 30, 2017:

	Debt Service	Other Governmental
Fund Balance, June 30, 2017	$1,397,266	$1,671,680
Restatement	91,111	(91,111)
Fund Balance, Restated, June 30, 2017	$1,488,377	$1,580,569

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General and Schoolwide Pool Special Revenue Funds are 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 as follows:

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 restricted, committed, or unassigned fund balance (GAAP basis).

4. Transfers in and transfers out that are balance sheet transactions (GAAP) as opposed to operating transfers (Budget), as well as the reclassification of revenue that is required to be transferred on a cash (budget basis), but is reported as revenue on the operating statement (GAAP basis).

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

Net Change in Fund Balance

	General	Schoolwide Pool
GAAP Basis	$904,408	$0
Revenue Accruals	(43,316)	(514,233)
Transfers In	0	627,528
Expenditure Accruals	85,065	730
Transfers Out	(66,640)	0
Encumbrances	(150,138)	0
Budget Basis	$729,379	$114,025

NOTE 5 - CASH AND CASH EQUIVALENTS

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 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), or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

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

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

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

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

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

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

8. Certain bankers' acceptances 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 if training requirements have been met.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a 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 June 30, 2018, $2,299,426 of the School District's total bank balance of $8,981,862 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the School District's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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

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

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.

Investments

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

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level Two Inputs				
Money Market Mutual Fund	$151,418	Less than one year	AAAm	100.00

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

At June 30, 2018, the School District had investments with fiscal and escrow agents for the debt service sinking escrow account held by a fiscal agent. See Note 16 for more information.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 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 thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

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

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

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal yearend. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2018, was $161,740 in the General Fund, $38,720 in the Debt Service Fund, $2,288 in the Classroom Maintenance Special Revenue Fund, and $6,863 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2017, was $128,269 in the General Fund, $29,588 in the Debt Service Fund, $1,837 in the Classroom Maintenance Special Revenue Fund, and $5,513 in the Permanent Improvement Capital Projects Fund.

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

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

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	$122,258,320	70.7%	$121,639,850	70.8%
Public Utility Personal	50,634,480	29.3%	50,115,990	29.2%
Total Assessed Values	$172,892,800	100.0%	$171,755,840	100.0%
Tax Rate per $1,000 of assessed valuation	$41.05		$41.05	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018, consisted of property taxes, interfund, intergovernmental grants, and tuition and fees. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of $457,690 may not be collected within one year. As a part of the 2016 QZAB issuance, the School District has contributions from an outside source in the amount of $301,000 that was scheduled to be contributed over a five year period. As of June 30, 2018, two scheduled contributions remain. Of the total, $150,500 is not scheduled to be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	Amounts
Medicaid Reimbursement	$2,041
Title I Grant	85,385
Title II-A Grant	13,076
State Preschool Grants	28,918
IDEA B Grant	12,910
Workers Compensation Rebate	50,987
State Foundation Fiscal Year 2018 Adjustment	9,322
Excess Costs from Other School Districts	74,414
Total Intergovernmental Receivables	$277,053

NOTE 8 - INTERNAL BALANCES AND TRANSFERS

Interfund Balances

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

	Interfund Receivable
Interfund Payable	Schoolwide Pool Fund
General Fund	$274,230
Other Nonmajor Governmental Funds	75,997
Total	$350,227

The balance due to the Schoolwide Pool Special Revenue Fund from the General and Other Governmental Funds are for costs associated with the operation of the elementary school in accordance with the Schoolwide program that will be transferred as cash is needed to fund the program.

Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

	Transfer from
Transfer to	General Fund
Schoolwide Pool Fund	$2,158,905
Debt Service Fund	75,000
Other Nonmajor Governmental Fund	101,467
Total	$2,335,372

Transfers were used to move receipts from the General Fund to the Schoolwide Pool Special Revenue Fund in accordance with the schoolwide program. Transfers from the General Fund to the Debt Service Fund were for the annual debt service sinking payments to the QZAB debt service escrow account. Transfers from the General Fund to Other Nonmajor Governmental Funds were used to provide resources to the Foundation Special Revenue Fund to make its required payments related to the previous Student Growth Fund, as well as to provide resources to the Miscellaneous Local Special Revenue Fund.

NOTE 9 - CAPITAL ASSETS

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

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Nondepreciable Capital Assets:				
Land	$2,436,556	$0	$0	$2,436,556
Construction in Progress	0	17,950	0	17,950
Total Nondepreciable Capital Assets	2,436,556	17,950	0	2,454,506
Depreciable Capital Assets:				
Land Improvements	4,024,138	70,816	0	4,094,954
Buildings and Improvements	39,281,262	34,400	0	39,315,662
Furniture and Equipment	2,179,532	6,550	0	2,186,082
Vehicles	1,123,961	8,139	0	1,132,100
Total Depreciable Capital Assets	46,608,893	119,905	0	46,728,798
Accumulated Depreciation:				
Land Improvements	(1,730,439)	(238,249)	0	(1,968,688)
Buildings and Improvements	(9,780,243)	(1,021,828)	0	(10,802,071)
Furniture and Equipment	(1,937,589)	(85,349)	0	(2,022,938)
Vehicles	(750,611)	(50,760)	0	(801,371)
Total Accumulated Depreciation	(14,198,882)	(1,396,186)	0	(15,595,068)
Total Depreciable Capital Assets, Net	32,410,011	(1,276,281)	0	31,133,730
Governmental Capital Assets, Net	$34,846,567	($1,258,331)	$0	$33,588,236

During fiscal year 2018, the School District reported $8,139 for additions related to donated capital assets.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$562,538
Special	133,713
Vocational	7,423
Support Services:	
Pupil	19,777
Instructional Staff	65,924
Administration	99,564
Fiscal	13,185
Operation and Maintenance of Plant	169,220
Pupil Transportation	103,586
Food Service Operations	105,829
Extracurricular Activities	115,427
Total Depreciation Expense	$1,396,186

NOTE 10 - RISK MANAGEMENT

Property, Fleet and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 18). The School District contracted with the Ohio School Plan for liability, property, and fleet insurance. Coverage provided follows:

Property:	
Building and Contents - replacement cost ($1,000 Deductible)	$52,341,399
Commercial Auto Coverage:	
Auto Liability-Combined Single Limit	3,000,000
Uninsured Motorists	1,000,000
Medical Payments	5,000
Comprehensive	1,000 deductible
Collision	1,000 deductible
Commercial Crime:	
Employee Theft - Per Employee ($1,000 Deductible)	100,000
Forgery or Alteration - Per Occurance ($1,000 Deductible)	25,000
Inside / Outside the Premises - Theft ($1,000 Deductible)	10,000
Educational General Liability:	
Bodily Injury and Property Damage - Each Occurrence and Sexual Abuse Injury Limit - Each Sexual Abuse Offense	$3,000,000
Personal and Advertising Injury - Each Offense Limit	3,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Each Accident Limit	10,000
General Aggregate Limit	5,000,000
Products-Completed Operations Aggregate Limit	3,000,000
Employers Liability - Stop Gap - Occurrence:	
Bodily Injury by Accident - Each Accident Limit	3,000,000
Bodily Injury by Disease - Endorsement Limit	3,000,000
Bodily Injury by Disease - Each Employee Limit	3,000,000
Employee Benefits Liability - Claims Made:	
Each Offense Limit	3,000,000
Aggregate Limit	5,000,000
Educational Legal Liability - Claims Made:	
Errors and Omissions Injury Limit ($2,500 Deductible)	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

Flood Insurance

The School District contracted with Selective Insurance Company of America for flood coverage. The School District's flood insurance includes $157,200 on buildings and $16,300 on contents at the football facility with $5,000 deductible on each, $62,700 with $5,000 deductible for the restrooms and ticket booth, and $19,000 with $5,000 deductible for the concession stand.

Worker's Compensation

For fiscal year 2018, the School District participated in the Ohio School Comp – OASBO/OSBA Workers' Compensation Group Retrospective Rating Program (GRRP), an insurance purchasing pool (Note 18). The intent of the GRRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRRP. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the GRRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRRP rather than its individual rate. Participation in the GRRP is limited to members that can meet the GRRP's selection criteria. The firm of CompManagement, LLC provides administrative, cost control, and actuarial services to the GRRP.

Employee Benefits

Medical/surgical and prescription drug insurance is offered to all employees through the Portage Area Schools Consortium (Consortium) for health insurance for the School District's employees. The Consortium was established in 1981 so that thirteen educational-service providers in Portage County could manage risk exposures and purchase necessary insurance coverage as a group. The Consortium currently has 20 members.

The Consortium has organized into two distinct entities to facilitate its risk management operations. The Portage Area Schools Consortium Property and Casualty Insurance Pool functions to manage the School District's physical property and liability risk. The Portage Area Schools Consortium Health and Welfare Trust is organized under provisions of Section 501 (c) (9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits, coverage such as health and accident insurance, disability insurance and life insurance. The School District participates in the Portage Area Schools Consortium Health and Welfare Trust. A third-party administrator is retained by the consortium to facilitate the operation of the Portage Area Schools Consortium Health and Welfare Trust. The School District pays all insurance premiums directly to the Consortium; one of its administrators serves as a trustee of the consortium's governing board as provided in the Consortium's enabling authority. The School District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted.

During fiscal year 2018, the School District provided medical/surgical and prescription drug coverage for all eligible employees through the Portage Area School Consortium. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan, carried through United Healthcare with a premium rate of $2,130.62 for a family plan and $852.25 for a single plan. The Board pays 92.5 percent of the premiums for certified staff. The Board pays 92.5 percent of the premiums for classified staff, hired prior to July 1, 2014 who work 35 – 40 hours per week. The Board pays 90 percent of the premiums for classified staff, hired after July 1, 2014 who work 35 – 40 hours per week. Employees who work less than a 35 hour work week, receive a benefit where, the Board's share of the premium is calculated on a declining scale.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contribution to SERS was $255,888 for fiscal year 2018. Of this amount $24,578 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

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

The School District's contractually required contribution to STRS was $870,469 for fiscal year 2018. Of this amount, $93,880 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.05102880%	0.05555434%	
Proportion of the Net Pension Liability Current Measurement Date	0.05314130%	0.05696756%	
Change in Proportionate Share	0.00211250%	0.00141322%	
Proportionate Share of the Net Pension Liability	$3,175,077	$13,532,767	$16,707,844
Pension Expense	($90,399)	($5,174,740)	($5,265,139)

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	$136,645	$522,572	$659,217
Changes of assumptions	164,185	2,959,765	3,123,950
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	121,017	409,020	530,037
School District contributions subsequent to the measurement date	255,888	870,469	1,126,357
Total Deferred Outflows of Resources	$677,735	$4,761,826	$5,439,561
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$109,069	$109,069
Net difference between projected and actual earnings on pension plan investments	15,071	446,597	461,668
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	25,081	109,914	134,995
Total Deferred Inflows of Resources	$40,152	$665,580	$705,732

$1,126,357 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$151,221	$659,536	$810,757
2020	231,673	1,267,061	1,498,734
2021	72,817	970,017	1,042,834
2022	(74,016)	329,163	255,147
Total	$381,695	$3,225,777	$3,607,472

Actuarial Assumptions - SERS

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

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

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

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

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

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

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.
The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$4,406,179	$3,175,077	$2,143,775

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$19,398,759	$13,532,767	$8,591,546

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2018, none of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 – DEFINED BENEFIT OPEB PLANS

See Note 11 for a description of the net OPEB liability

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $30,999.

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 $40,476 for fiscal year 2018. Of this amount $31,909 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.05128580%	0.05555434%	
Proportion of the Net OPEB Liability			
Current Measurement Date	0.05348710%	0.05696756%	
Change in Proportionate Share	0.00220130%	0.00141322%	
Proportionate Share of the Net			
OPEB Liability	$1,435,453	$2,222,664	$3,658,117
OPEB Expense	$100,307	($667,440)	($567,133)

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	$128,306	$128,306
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	40,440	64,782	105,222
School District contributions subsequent to the measurement date	40,476	0	40,476
Total Deferred Outflows of Resources	$80,916	$193,088	$274,004
Deferred Inflows of Resources			
Changes of assumptions	$136,217	$179,043	$315,260
Net difference between projected and actual earnings on OPEB plan investments	3,791	95,002	98,793
Total Deferred Inflows of Resources	$140,008	$274,045	$414,053

$40,476 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($35,650)	($21,410)	($57,060)
2020	(35,650)	(21,410)	(57,060)
2021	(27,321)	(21,410)	(48,731)
2022	(947)	(21,411)	(22,358)
2023	0	2,340	2,340
Thereafter	0	2,344	2,344
Total	($99,568)	($80,957)	($180,525)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$1,733,493	$1,435,453	$1,199,330

	1% Decrease (6.5% decreasing to 4.0%)	Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's proportionate share of the net OPEB liability	$1,164,763	$1,435,453	$1,793,717

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 as follows:

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

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

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

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

(3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$2,983,891	$2,222,664	$1,621,046

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$1,544,212	$2,222,664	$3,115,587

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Current policy permits vacation not to be accumulated passed the fiscal year it was earned. Accrued, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave up to maximum of 55 days for all employees.

Health/Life Insurance

The School District provides dental insurance to all employees through Coresource Inc., which is 100 percent Board paid for the certified employees and on a declining scale paid by the Board for the non-certificated employees at a premium of $85.62. Life insurance is provided in the amount of $50,000 for superintendent, $50,000 for the treasurer, $25,000 for certified and administrative employees and $20,000 for the classified employees. The Board pays 100 percent of the monthly premium of $2.50 for certified and administrative employees and 100 percent of the monthly premium of $2.00 for non-certified employees. Vision insurance is provided through Vision Benefits of America which is 100 percent Board paid for the certified employees and on a declining scale paid by the Board for the non-certificated employees at a premium of $9.79.

NOTE 14 – COMMITMENTS

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

General	$150,138
Other Non-Major Governmental Funds	33,637
Total	$183,775

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2005, the School District entered into a capital lease to finance the construction of a new grandstand facility at the stadium. The lease arrangements are through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority as the lesser. During fiscal year 2008, the School District entered into two additional capital leases through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority to finance additional project costs associated with the classroom facilities project.

The assets acquired by the outstanding leases have been capitalized in government wide statements governmental activities as land, buildings and improvements, and furniture, fixtures and equipment in the amount of $2,139,000, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities for the total value of the lease. Governmental activities assets are reflected net of accumulated depreciation, in the amount of $945,393. Principal payments in fiscal year 2017 totaled $152,000 in the governmental funds.

Future minimum lease payments through 2032 are as follows:

Fiscal Year Ending	Principal	Interest and Fiscal Charges	Total
2019	$169,000	$92,078	$261,078
2020	171,000	84,252	255,252
2021	109,000	76,344	185,344
2022	115,000	70,919	185,919
2023	121,000	65,223	186,223
2024-2028	696,000	229,906	925,906
2029-2032	502,000	65,444	567,444
Total	$1,883,000	$684,166	$2,567,166

NOTE 16 - LONG - TERM OBLIGATIONS

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

	Outstanding 6/30/17	Additions	Deductions	Outstanding 6/30/18	Due In One Year
2005 School Construction and and Improvement General General Obligation Bonds					
Term Bonds, $5,580,000 @ 5.0%	$105,000	$0	$105,000	$0	$0
2012 Refunding Bonds					
Serial Bonds,					
$8,190,000 @ 1.0%-4.0%	7,115,000	0	0	7,115,000	0
Capital Appreciation Bonds,					
$294,992 @ 6.828%-20.854%	294,992	0	92,800	202,192	70,199
CAB Accretion, $2,020,008	932,218	329,545	352,200	909,563	374,801
Premium, $1,589,927	1,211,572	0	75,711	1,135,861	0
Discount, $79,106	(60,271)	0	(3,767)	(56,504)	0
Total 2012 Bonds	9,493,511	329,545	516,944	9,306,112	445,000
2016 Qualified Zone Academy Bonds (QZAB)					
$1,500,000 @ 0%	1,500,000	0	0	1,500,000	0
Total Bonds	11,098,511	329,545	621,944	10,806,112	445,000
Net Pension Liability					
SERS	3,734,837	0	559,760	3,175,077	0
STRS	18,595,712	0	5,062,945	13,532,767	0
Total Net Pension Liability	22,330,549	0	5,622,705	16,707,844	0
Net OPEB Liability					
SERS	1,461,835	0	26,382	1,435,453	0
STRS	2,971,061	0	748,397	2,222,664	0
Total Net OPEB Liability	4,432,896	0	774,779	3,658,117	0
Intergovernmental Payable	15,000	0	5,000	10,000	5,000
Capital Leases	2,035,000	0	152,000	1,883,000	169,000
Compensated Absences	940,612	585,480	540,534	985,558	83,030
Total General Long-Term Obligations	$40,852,568	$915,025	$7,716,962	$34,050,631	$702,030

2005 School Construction and Improvement General Obligation Bonds - On March 31, 2005, the School District issued $10,520,000 in voted general obligation bonds which included serial and term bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program (approximately 86 percent of the total of the bonds), as well as a portion of the project that will not be covered under the Classroom Facilities Assistance Program that is the Local Fund Initiative (approximately 14 percent of the total of the bonds). The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2032. During fiscal year 2012, the School District refunded $8,485,000 of the serial and term bonds. The refunding resulted in an in-substance defeasance, and the refunded portion of the bonds were removed from the financial statements of the School District. The remaining outstanding serial and term bonds are being retired from the debt service fund. The premium that remained following the refunding amounted to $50,025. This amount is being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method.

In connection with the passage of the bond issue, the School District earmarked a half-mill of the existing permanent improvement levy for the maintenance of the new building.

The term bonds that mature December 1, 2017 are subject to mandatory sinking fund redemption at a price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2017.

During 2018, the 2005 School Construction and Improvement General Obligation Bonds were fully retired.

2012 General Obligation Refunding Bonds – On April 19, 2012, Martins Ferry City School District issued $8,484,992 of general obligation bonds. The bonds were issued to refund $8,485,000 of outstanding 2005 School Construction and Improvement General Obligation Serial and Term Bonds. The bonds were issued for a 21 year period with final maturity at December 1, 2032. At the date of refunding, $9,829,973 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2005 School Construction and Improvement General Obligation Serial and Term Bonds. The refunded bonds were fully called and repaid on June 1, 2015, through the escrow account.

These refunding bonds were issued with a premium of $1,589,927, and a discount of $79,106. These amounts are being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method.

The 2012 bond issue consists of serial and capital appreciation bonds, $8,190,000 and $294,992, respectively.

The capital appreciation bonds for this issue mature December 1, 2017 through December 1, 2021. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is $1,870,000. The accretion recorded for fiscal year 2018 is $329,545 for a total bond liability of $1,111,755. The accretion will continue to be recorded over the life of the bonds.

As part of the refunding bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of Aa2 from Moody's Investors Service for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

Principal and interest requirements to retire general obligation bonds for the 2012 Refunding Bonds outstanding at June 30, 2018 are as follows:

	Serial Bonds		Capital Appreciation Bonds		Total	
Fiscal Year	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2019	$0	$231,570	$70,199	$374,801	$70,199	$606,371
2020	0	231,571	56,682	418,318	56,682	649,889
2021	0	231,570	42,878	432,122	42,878	663,692
2022	0	231,570	32,433	442,567	32,433	674,137
2023	510,000	224,876	0	0	510,000	224,876
2024-2028	2,875,000	888,452	0	0	2,875,000	888,452
2029-2033	3,730,000	353,227	0	0	3,730,000	353,227
Totals	$7,115,000	$2,392,836	$202,192	$1,667,808	$7,317,192	$4,060,644

2016 Qualified Zone Academy Bonds – On October 1, 2015, the School District issued $1,500,000 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), to be used to fund energy saving projects throughout the School District and the to create a STEM Academy. The QZAB matures in 2035, with the entire principal balance coming due at maturity. The QZAB does not bear interest. As part of the issuance, the School District is required to place $75,000 of base lease payments, annually, beginning on June 1, 2016, into a debt service sinking escrow account held by a fiscal agent. The base lease payments will be invested, and the balance in the account will be used for the final bond repayment in 2035. The value of the fiscal agent account is recorded as restricted investments with fiscal agents in the debt service fund.

Long-Term Intergovernmental Payable – On December 14, 2015 the School District signed an addendum to Service Agreement with the East Central Ohio Educational Service Center Governing Board (ECOESC). The Board of Education and the ECOESC wish to include an additional service to the services that the ECOESC will provide to the Board of Education pursuant to Section 3313.845 of the Ohio Revised Code. In consideration of the services contained in the addendum the ECOESC will purchase property to be used for the delivery of educational services to students served by the Belmont County school district clients of the ECOESC. In consideration of the above, the Board has agreed to pay the ECOESC, the sum of $5,000 per year for a period of five years, for a total payment of $25,000. As of June 30, 2018, $10,000 remains outstanding with $5,000 due within one year.

The School District's overall legal debt margin was $9,842,247, with an unvoted debt margin of $171,756 at June 30, 2018.

Capital leases will be paid from the General Fund. Compensated absences will be paid from the General Fund.

There is no repayment schedule for the net pension liability or the net OPEB liability. However, employer pension/OPEB contributions are made from the following funds the General Fund, Miscellaneous State Grant, Schoolwide Pool, and the Food Service Special Revenue Funds. For additional information related to the net pension/OPEB liability, See Note 11 and Note 12.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School District – The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2018, the School District made no contributions to the Belmont-Harrison Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at 68090 Hammond Road, St. Clairsville, Ohio 43950.

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council) – The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2018, the total amount paid to the Council from the School District was $22,391 for technology services and $43,786 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

NOTE 18 - INSURANCE PURCHASING POOL

Ohio School Comp - OASBO/OSBA Workers' Compensation Group Retrospective Rating Program (GRRP) - The School District participates in the Ohio School Comp – OASBO/OSBA Workers' Compensation Group Retrospective Rating Program (GRRP), an insurance purchasing pool. The GRRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRRP to cover the costs of administering the program. The School District's enrollment fee of $1,400 for policy year 2018 was paid to CompManagement, Inc.

Ohio School Plan (OSP) – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Hylant Administrative Services and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Hylant Administrative Service is the sales and marketing representative, which establishes agreements between OSP and member schools.

The Portage Area School Consortium (Consortium) – is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts. The Consortium is a stand-alone entity, comprised of two stand-alone Pools; the Portage Area Schools Consortium Property and Casualty Pool and the Portage Area Schools Consortium Health and Welfare Insurance Pool. These pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS

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 the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

Pursuant to State Statute, the Board of Education expended all of the amounts previously set-aside for the budget reserve.

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2017	$0
Current Year Set-aside Requirement	256,010
Current Year Offseting Revenue	(225,593)
Current Year Qualifying Expenditures	(143,594)
Totals	($113,177)
Balance Carried Forward to Fiscal Year 2019	$0
Set-aside Restricted Balance as of June 30, 2018	$0

The School District had offsets and qualifying expenditures during the current fiscal year that reduced the set-aside amount for capital improvements to below zero. This excess may not be carried forward to offset future year set-aside requirements. The School District also has prior year capital expenditures paid from debt proceeds in connection with a school facilities project and an energy conservation project that may be carried forward to offset future set-aside requirements.

NOTE 20 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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.

State Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2018 are finalized. As a result, the net impact of future FTE adjustments on the fiscal year 2018 financial statements was a receivable of the School District.

Litigation

The School District is not currently party to pending litigation.

Oil/Gas Leases

As of June 30, 2018, the School District entered into seven "Paid-Up" Oil and Gas Leases as follows:

Effective Date	Lease Term	Company	Lease Acres	Bonus Payment	Date(s) of Bonus Payment	% of Royalty
12/23/11	8 years	XTO Energy, Inc./Gulfport Energy Corp	58.722	$553,953	8/26/12, 6/16/17	19%
3/26/12	8 years	XTO Energy, Inc.*	59.208	559,516	6/19/12, 9/28/16	19%
7/10/14	5 years	Gulfport Energy Corp	3.507	23,672	10/2/2014	20%
8/20/14	5 years	American Energy-Utica, LLC	0.500	3,000	12/16/2014	20%
3/11/15	5 years	American Energy-Utica, LLC	0.690	4,140	9/16/2015	20%
10/13/15	5 years	American Energy-Utica, LLC	0.794	4,762	1/27/2016	20%
6/6/17	5 years	Gulfport Energy Corp	1.000	4,500	6/16/2017	18%

Royalties are paid for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the full value of any royalties cannot be determined.

The total carrying value of the land leased is $2,425,265.

Special Investigation

The Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported on at a later date.

NOTE 21 – SUBSEQUENT EVENTS

Certificates of Participation

On March 20, 2019, the School District issued $11,000,000, Series 2019 Certificates of Participation for the purpose of construction, improvement, furnishing, and equipping of schools facilities.

Refunded Debt

On April 17, 2019, the School District issued $6,910,000, Series 2019 Refunding Bonds for the purpose of refunding the outstanding 2012 general obligation refunding serial bonds.

Labor Negotiations

On May 10, 2019, the Board of Education approved a contract ratification wage reopener with the certified staff, represented by the Martins Ferry Education Association (MFEA) at 4% of the base salary and a $1,100 signing bonus effective September 1, 2019.

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.05314130%	0.05102880%	0.04987180%	0.05140100%	0.05140100%
School District's Proportionate Share of the Net Pension Liability	$3,175,077	$3,734,837	$2,845,733	$2,601,375	$3,056,653
School District's Covered Payroll	$1,736,929	$1,574,150	$1,486,768	$1,490,339	$1,414,246
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	182.80%	237.26%	191.40%	174.55%	216.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, the information prior to 2014 is not available. An additional column will be added each year.

* 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 required supplementary information

Martins Ferry City School District
Required Supplementary Information
Schedule of the 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	0.05696756%	0.05555434%	0.05528892%	0.05612705%	0.05612705%
School District's Proportionate Share of the Net Pension Liability	$13,532,767	$18,595,712	$15,280,240	$13,652,041	$16,262,221
School District's Covered Payroll	$6,663,364	$5,871,371	$5,598,221	$5,717,062	$5,659,300
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	203.09%	316.72%	272.95%	238.79%	287.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, the information prior to 2014 is not available. An additional column will be added each year.

* 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 required supplementary information

Martins Ferry City School District

Required Supplementary Information

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

School Employees Retirement System of Ohio

*Last Two Fiscal Years (1)**

	2018	2017
School District's Proportion of the Net OPEB Liability	0.05348710%	0.05128580%
School District's Proportionate Share of the Net OPEB Liability	$1,435,453	$1,461,835
School District's Covered Payroll	$1,736,929	$1,574,150
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.64%	92.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, the information prior to 2017 is not available. An additional column will be added each year.

* 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 required supplementary information

Martins Ferry City School District

Required Supplementary Information

Schedule of the 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	0.05696756%	0.05555434%
School District's Proportionate Share of the Net OPEB Liability	$2,222,664	$2,971,061
School District's Covered Payroll	$6,663,364	$5,871,371
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	33.36%	50.60%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, the information prior to 2017 is not available. An additional column will be added each year.

* 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 required supplementary information

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

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$255,888	$243,170	$220,381	$195,956
Contributions in Relation to the Contractually Required Contribution	(255,888)	(243,170)	(220,381)	(195,956)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$1,895,467	$1,736,929	$1,574,150	$1,486,768
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability				
Contractually Required Contribution (2)	40,476	27,121	24,122	36,499
Contributions in Relation to the Contractually Required Contribution	(40,476)	(27,121)	(24,122)	(36,499)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	2.14%	1.56%	1.53%	2.45%
Total Contributions as a Percentage of Covered Payroll (2)	15.64%	15.56%	15.53%	15.63%

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

See accompanying notes to required supplementary information

2014	2013	2012	2011	2010	2009
$206,561	$195,732	$181,040	$190,242	$229,624	$170,258
(206,561)	(195,732)	(181,040)	(190,242)	(229,624)	(170,258)
$0	$0	$0	$0	$0	$0
$1,490,339	$1,414,246	$1,346,022	$1,513,459	$1,695,891	$1,730,265
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
25,919	24,663	28,939	45,857	34,935	99,663
(25,919)	(24,663)	(28,939)	(45,857)	(34,935)	(99,663)
$0	$0	$0	$0	$0	$0
1.74%	1.74%	2.15%	3.03%	2.06%	5.76%
15.60%	15.58%	15.60%	15.60%	15.60%	15.60%

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Martins Ferry City School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$870,469	$932,871	$821,992	$783,751
Contributions in Relation to the Contractually Required Contribution	(870,469)	(932,871)	(821,992)	(783,751)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$6,217,636	$6,663,364	$5,871,371	$5,598,221
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

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

See accompanying notes to required supplementary information

2014	2013	2012	2011	2010	2009
$743,218	$735,709	$670,472	$686,155	$794,528	$792,717
(743,218)	(735,709)	(670,472)	(686,155)	(794,528)	(792,717)
$0	$0	$0	$0	$0	$0
$5,717,062	$5,659,300	$5,157,479	$5,278,114	$6,111,750	$6,097,821
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$57,171	$56,593	$51,575	$52,781	$61,118	$60,978
(57,171)	(56,593)	(51,575)	(52,781)	(61,118)	(60,978)
$0	$0	$0	$0	$0	$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions – SERS

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

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

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

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

Changes in Assumptions - STRS

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

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

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

Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

Net OPEB Liability

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

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

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MARTINS FERRY CITY SCHOOL DISTRICT
BELMONT COUNTY

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

FEDERAL GRANTOR/ *Pass-Through Grantor* Program/ Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance:			
National School Lunch Program - Food Donation	10.555	N/A	$32,384
Cash Assistance:			
School Breakfast Program	10.553	044347-05PU-14	133,894
National School Lunch Program	10.555	044347-LLP4-14	264,685
Cash Assistance Subtotal			398,579
Total U.S. Department of Agriculture/Child Nutrition Cluster			430,963
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	044347-C1S1-15	1,932
		044347-C1S1-17	125,517
		044347-C1S1-18	370,634
Total Title I Grants to Local Educational Agencies			498,083
Special Education Cluster (IDEA):			
Special Education, Grants to States (IDEA, Part B)	84.027	044347-6BSF-18	327,455
Passed through East Central Ohio Educational Service Center:			
Special Education - Preschool Grants (IDEA Preschool)	84.173	044347-TJS1-18	1,914
Total Special Education Cluster (IDEA)			329,369
Improving Teacher Quality State Grants	84.367	044347-TRS1-15	308
		044347-TRS1-17	21,420
		044347-TRS1-18	56,695
Total Improving Teacher Quality State Grants			78,423
Title IV, Part A Student Support and Academic Enrichment Grant	84.424A	044347-18	10,000
Total U.S. Department of Education			915,875
Total Expenditures of Federal Awards			**$1,346,838**

The accompanying notes are an integral part of this Schedule.

MARTINS FERRY CITY SCHOOL DISTRICT
BELMONT COUNTY

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE
KEITH FABER

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

Martins Ferry City School District
Belmont County
5001 Ayers Limestone Road
Martins Ferry, Ohio 43935

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 Martins Ferry City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 29, 2019, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* We also noted the School District restated beginning fund balances related to cumulative adjustments related to the School District's prior reporting of tangible personal property tax reimbursements between the Debt Service Fund and the Permanent Improvement Fund.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

School District's Response to the Finding

The School District's response to the Finding identified in our audit is described in the accompanying Schedule of Findings and Corrective Action Plan. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

May 29, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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

Martins Ferry City School District
Belmont County
5001 Ayers Limestone Road
Martins Ferry, Ohio 43935

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Martins Ferry City School District's, Belmont County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on each Major Federal Program

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

Report on Internal Control Over Compliance

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

May 29, 2019

MARTINS FERRY CITY SCHOOL DISTRICT
BELMONT COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):** • Child Nutrition Cluster – CFDA #10.553 and #10.555 • Title I Grants to Local Educational Agencies – CFDA #84.010	
(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. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2018-001

Finding for Recovery – Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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

FINDING NUMBER 2018-001 (Continued)

Finding for Recovery – Repaid Under Audit (Continued)

Additionally, most governmental entities have the authority to provide cell phones for use by authorized employees. The use of these items should be specified in a policy the government's legislative body adopts. These policies should, at a minimum, identify authorized users, guidelines for allowable use/ purchases, method of reimbursement (if personal use is allowed), specific unallowable uses, reporting, monitoring of use by appropriate levels of management, and other guidelines the legislative body deems appropriate. Employers should have a policy prohibiting any more than a de minimus personal use of government-owned cell phones.

The School District's cell phone policy (Policy No. 7530.01) states that the Board of Education will provide personal communication devices ("PCDs") to employees who by the nature of their job have a routine and continuing business need for the use of such devices for official Board business. For purposes of this policy, "personal communication device" includes computers, tablets (e.g., iPads and similar devices), electronic readers ("e-readers"; e.g., Kindles and similar devices), cell phones (e.g., mobile/cellular telephones, smartphones,), and/or other web-enabled devices of any type. PCDs are provided as tools to conduct Board business and to enhance business efficiencies. Board-owned cell phones are not a personal benefit and shall not be a primary mode of communication, unless they are the most cost-effective means to conduct Board business (i.e., because some cellular telephone services plan are billed on a time-used basis, Board-owned cell phones should not be used if a less costly alternative method of communication is safe, convenient and readily available).

The School District pays the Verizon wireless cell phone bill monthly, which details each cell phone line and the charges assessed for that particular line. One of the lines listed on the Verizon bills were for retired maintenance worker, Don Veloski. Mr. Veloski retired from Martins Ferry City School District as of February 28, 2017, but continued to utilize the School District owned cell phone until January 2018. During that time, the School District was paying for his cell phone line which totaled $452.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former employee Don Veloski, in the amount of $452, and in favor of the Martins Ferry City School District's General Fund.

Don Veloski repaid the $452 on March 14, 2019 on receipt number 797017. The amount was paid into the Martins Ferry City School District's General Fund.

Officials' Response: See Corrective Action Plan page 88

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

MARTINS FERRY CITY SCHOOL DISTRICT

TREASURER'S OFFICE

5001 Ayers Limestone Rd
Martins Ferry OH 43935
Phone: 740-633-1732
Fax: 740-633-5666

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

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Rev. Code § 3317.02, regarding unexcused absences	Corrected	
2017-002	Ohio Rev. Code § 3319.30, regarding proper teacher licensure	Corrected	

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CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The Treasurer's Office will obtain a listing of school issued cell phones. The listing will be compared to the billing on a monthly basis. The listing will be updated as employees separate from employment and new hires are given cell phones.	June 30, 2019	Dana Garrison, Interim Treasurer

MARTINS FERRY CITY SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 25, 2019