



OHIO AUDITOR OF STATE
KEITH FABER



**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY
JUNE 30, 2018 AND 2017**

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**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY
JUNE 30, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Russia Local School District
Shelby County
100 School Street
Russia, Ohio 45363

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Russia Local School District, Shelby County, Ohio (the School District), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Russia Local School District, Shelby County, Ohio, as of June 30, 2018 and 2017, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 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

April 1, 2019

Russia Local School District
Statement of Net Position - Cash Basis
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,363,996</u>
Net Position	
Restricted for:	
Capital Projects	\$323,407
Debt Service	1,452,638
Other Purposes	216,929
Unrestricted	<u>3,371,022</u>
<i>Total Net Position</i>	<u>\$5,363,996</u>

See accompanying notes to the basic financial statements.

Russia Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2018

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$2,359,360	\$478,105	\$26,186	(\$1,855,069)
Special	518,220	22,016	261,234	(234,970)
Student Intervention Services	2,421	-	-	(2,421)
Support Services:				
Pupil	73,414	2,685	1,000	(69,729)
Instructional Staff	23,148	-	1,630	(21,518)
Board of Education	7,703	-	-	(7,703)
Administration	386,631	-	-	(386,631)
Fiscal	182,133	16,055	-	(166,078)
Operation and Maintenance of Plant	369,244	-	-	(369,244)
Pupil Transportation	228,648	16,063	2,336	(210,249)
Central	79,836	-	25,180	(54,656)
Operation of Non-Instructional Services	151,598	115,151	32,857	(3,590)
Extracurricular Activities	181,975	76,370	1,200	(104,405)
Principal Retirement	300,000	-	-	(300,000)
Interest and Fiscal Charges	82,795	-	-	(82,795)
Issuance Costs	70,721	0	0	(70,721)
Payment to Refunded Bond Escrow Agent	2,251,408	0	0	(2,251,408)
<i>Total Governmental Activities</i>	<u>\$7,269,255</u>	<u>\$726,445</u>	<u>\$351,623</u>	<u>(6,191,187)</u>
General Receipts				
Property Taxes Levied for:				
				1,112,339
				436,952
				20,179
				452,616
				2,486,408
				2,210,000
				115,193
				2,798
				3,289
				27,112
				<u>6,866,886</u>
				675,699
				<u>4,688,297</u>
				<u>\$5,363,996</u>

See accompanying notes to the basic financial statements.

Russia Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,371,022	\$1,452,638	\$540,336	\$5,363,996
<i>Total Assets</i>	<u>\$3,371,022</u>	<u>\$1,452,638</u>	<u>\$540,336</u>	<u>\$5,363,996</u>
Fund Balances				
Restricted	\$0	\$1,452,638	\$541,562	\$1,994,200
Assigned	699,192	-	-	699,192
Unassigned	\$2,671,830	-	(1,226)	2,670,604
<i>Total Fund Balances</i>	<u>\$3,371,022</u>	<u>\$1,452,638</u>	<u>\$540,336</u>	<u>\$5,363,996</u>

See accompanying notes to the basic financial statements.

Russia Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,112,339	\$436,952	\$20,179	\$1,569,470
Income Taxes	452,616	-	-	452,616
Intergovernmental	2,557,157	85,858	191,756	2,834,771
Interest	3,289	-	-	3,289
Tuition and Fees	496,220	-	-	496,220
Extracurricular Activities	5,516	-	68,719	74,235
Contributions and Donations	4,858	-	1,200	6,058
Charges for Services	-	-	114,723	114,723
Miscellaneous	58,148	4,770	5,461	68,379
<i>Total Receipts</i>	<u>4,690,143</u>	<u>527,580</u>	<u>402,038</u>	<u>5,619,761</u>
Disbursements				
Current:				
Instruction:				
Regular	2,347,163	-	12,197	2,359,360
Special	411,597	-	106,623	518,220
Student Intervention Services	2,421	-	-	2,421
Support Services:				
Pupil	73,414	-	-	73,414
Instructional Staff	21,518	-	1,630	23,148
Board of Education	7,703	-	-	7,703
Administration	386,631	-	-	386,631
Fiscal	171,665	10,004	464	182,133
Operation and Maintenance of Plant	298,598	-	70,646	369,244
Pupil Transportation	212,902	-	15,746	228,648
Central	54,656	-	25,180	79,836
Operation of Non-Instructional Services	9,162	-	142,436	151,598
Extracurricular Activities	129,794	-	52,181	181,975
Debt Service:				
Principal Retirement	-	300,000	-	300,000
Interest and Fiscal Charges	-	82,795	-	82,795
Issuance Costs	-	70,721	-	70,721
<i>Total Disbursements</i>	<u>4,127,224</u>	<u>463,520</u>	<u>427,103</u>	<u>5,017,847</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>562,919</u>	<u>64,060</u>	<u>(25,065)</u>	<u>601,914</u>
Other Financing Sources (Uses)				
Payment to Refunded Bond Escrow Agent	-	(2,251,408)	-	(2,251,408)
Refunding Bonds Issued	-	2,210,000	-	2,210,000
Premium on Refunding Bonds	-	115,193	-	115,193
Transfers In	-	-	100,000	100,000
Transfers Out	(100,000)	-	-	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>73,785</u>	<u>100,000</u>	<u>73,785</u>
<i>Net Change in Fund Balances</i>	462,919	137,845	74,935	675,699
<i>Fund Balances Beginning of Year</i>	<u>2,908,103</u>	<u>1,314,793</u>	<u>465,401</u>	<u>4,688,297</u>
<i>Fund Balances End of Year</i>	<u>\$3,371,022</u>	<u>\$1,452,638</u>	<u>\$540,336</u>	<u>\$5,363,996</u>

See accompanying notes to the basic financial statements.

Russia Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budgetary Basis
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$1,000,000	\$1,020,000	\$1,112,339	\$92,339
Income Taxes	385,000	385,000	452,616	67,616
Intergovernmental	2,712,500	2,712,500	2,557,157	(155,343)
Interest	2,800	2,800	3,289	489
Tuition and Fees	453,500	453,500	496,220	42,720
Extracurricular Activities	4,900	4,900	2,831	(2,069)
Contributions and Donations	3,500	3,500	2,798	(702)
Miscellaneous	12,200	24,455	24,044	(411)
Total Receipts	4,574,400	4,606,655	4,651,294	44,639
Disbursements				
Current:				
Instruction:				
Regular	2,494,017	2,504,772	2,359,537	145,235
Special	499,630	499,630	411,597	88,033
Vocational	2,500	2,500	-	2,500
Student Intervention Services	6,600	6,600	2,421	4,179
Support Services:				
Pupils	70,336	70,336	69,293	1,043
Instructional Staff	33,300	33,300	21,518	11,782
Board of Education	9,175	9,175	7,703	1,472
Administration	413,080	413,080	386,631	26,449
Fiscal	180,588	180,588	173,730	6,858
Business	500	500	-	500
Operation and Maintenance of Plant	368,404	368,404	318,136	50,268
Pupil Transportation	203,587	303,587	225,623	77,964
Central	70,700	70,700	54,986	15,714
Operation of Non-Instructional Services	15,000	15,000	8,912	6,088
Extracurricular Activities	153,600	158,600	129,794	28,806
Total Disbursements	4,521,017	4,636,772	4,169,881	466,891
Excess of Receipts Over (Under) Disbursements	53,383	(30,117)	481,413	511,530
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	18,000	18,000	24,113	6,113
Proceeds from Sale of Capital Assets	-	-	1,800	1,800
Insurance Recoveries	-	-	8,191	8,191
Transfers Out	(100,000)	(100,000)	(100,000)	-
Other Financing Uses	(700,000)	(595,000)	-	595,000
Total Other Financing Sources (Uses)	(782,000)	(677,000)	(65,896)	611,104
Net Change in Fund Balances	(728,617)	(707,117)	415,517	1,122,634
Fund Balance at Beginning of Year	2,869,276	2,869,276	2,869,276	-
Prior Year Encumbrances Appropriated	34,207	34,207	34,207	-
Fund Balance at End of Year	\$2,174,866	\$2,196,366	\$3,319,000	\$1,122,634

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$11,157	\$26,871
Liabilities		
Due to Students	-	\$26,871
Net Position		
Held in Trust for Scholarships	11,157	
Total Net Position	\$11,157	

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions	
Gifts and Contributions	\$38,162
Deductions	
Scholarships	36,790
Change in Net Position	1,372
Net Position - Beginning of Year	9,785
Net Position - End of Year	\$11,157

See accompanying notes to the basic financial statements

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Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 1 - Reporting Entity

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

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District's instructional/support facilities are staffed by 20 non-certificated employees, 32 certificated teaching personnel and 3 administrative employees to provide services to 429 students. It currently operates one instructional building.

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

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 1 - Reporting Entity (continued)

The School District participates in two jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Western Ohio Computer Organization (WOCO)
Southwestern Ohio Educational Purchasing Council (SOEPC)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Shelby County Schools Consortium
Southwestern Ohio Educational Purchasing Council Property, Fleet and
Liability Insurance Program

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental activities (primarily those supported through taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District does not have any business-type activities.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

Governmental Funds

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

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

Bond Retirement Fund - The Bond Retirement Fund debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The other governmental funds of the School District account for (a) financial resources are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs, which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities, which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or the Treasurer identifies decreases in receipts. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the Board passed final appropriations.

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

E. Cash and Investments

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

Investments of the School District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During fiscal year 2018, the School District did not have any investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2018 was \$3,289, which included \$1,239 assigned from other School District funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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.

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Net Position

The net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. The School District did not have any net position restricted by enabling legislation at June 30, 2018.

L. 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:

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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 fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

M. Interfund Transactions

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

N. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis net change in fund balance	\$462,919
Perspective Differences	552
Adjustment for Encumbrances	(47,954)
Budget Basis net change in fund balance	\$415,517

Note 4 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim deposits 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to be deposited or invested in the following securities:

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 4 - Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$5,402,024. Cash balances per the bank were \$5,410,112. \$250,000 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2018, \$5,160,112 of the School District's bank balance of \$5,410,112 was exposed to custodial risk and was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the School District's name.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 4 - Deposits and Investments (continued)

Investments

The School District did not have any investments at June 30, 2018.

Note 5 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

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

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Shelby 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.

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	\$50,507,530	95.37%	\$49,503,030	94.14%
Public Utility Personal	2,452,350	4.63	3,082,380	5.86
Total	<u>\$52,959,880</u>	<u>100.00%</u>	<u>\$52,585,410</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$43.25		\$43.25	

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 6 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 7 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracted with Arthur Gallagher Risk Management Services, Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building and Contents (\$5,000 deductible)	\$31,282,269
Boiler and Machinery (\$3,500 deductible)	250,000,000
Flood & Earthquake per occurrence/aggregate	1,000,000
Cyber Liability/Identity Theft (\$15,000 deductible)	1,000,000
Automobile Liability (per occurrence, \$1,000 deductible)	1,000,000
Money and Securities (per occurrence, \$5,000 deductible)	1,000,000
Employee Benefits Liability	
Per occurrence	1,000,000
School Board Legal Liability (\$10,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate per member	3,000,000
Excess Liability – (occurrence/aggregate per district)	5,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2018, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 7 - Risk Management (continued)

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

Note 8 - Defined Benefit Pension Plans

The net pension liability is disclosed as a commitment and not reported on the face of the accompanying financial statements as a liability because of the use of the cash basis framework. The net pension liability has been disclosed below.

Net Pension Liability

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

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

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

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

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

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

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

The School District’s contractually required contribution to SERS was \$83,712 for fiscal year 2018.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

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

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

The School District's contractually required contribution to STRS was \$291,198 for fiscal year 2018.

Net Pension Liability

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

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0178549%	0.0160969%	
Current Measurement Date	0.0175765%	0.0168712%	
Change in Proportionate Share	-0.0002784%	0.0007743%	
Proportionate Share of the Net Pension			
Liability	\$1,050,157	\$4,007,785	\$5,057,942

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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

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	3.0 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of 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 Morality 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 100 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disability Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability.

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

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target		Long Term Expected	
	Allocation		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	%		

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$1,457,345	\$1,050,157	\$709,054

Actuarial Assumptions - STRS

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

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses	7.75 percent, net of investment expenses
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments	0.0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before
(COLA)		August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
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	 <u>100.00 %</u>	

* 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. A discount rate of 7.75 percent was used as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

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	\$5,745,023	\$4,007,785	\$2,544,422

Note 9 - Postemployment Benefits

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

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

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

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

A. School Employees Retirement System

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 \$9,878.

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 contributions to SERS for OPEB for the fiscal year ended June 30, 2018 was \$12,868.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

B. 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.

The School District’s contribution to STRS for OPEB for the fiscal year ended June 30, 2018 was \$0.

Net OPEB Liability

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Current Measurement Date	0.0178554%	0.01687118%	
Proportionate Share of the Net OPEB Liability	\$479,192	\$658,251	\$1,137,443

Actuarial Assumptions - SERS

SERS’ total OPEB liability was determined by their actuaries in accordance with GASB Statement No. 74, 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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

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

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

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

	July 1, 2017
Inflation	3.00%
Projected salary increases	3.5% - 18.2%
Investment Rate of Return	7.50% net of investment expenses, including inflation
Payroll Increases	3 percent
Municipal Bond Index Rate	0.0 percent effective July 1, 20
Prior Measurement Date	2.92%
Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Prior Measurement Date	2.98%
Measurement Date	3.63%
Medical Assumption Trend	
Pre-Medicare	7.50% - 5.00%
Medicare	5.50% - 5.00%

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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

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

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

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate 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%).

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$578,685	\$479,192	\$400,368

The following table presents the OPEB liability of SERS, 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 6.5% decreasing to 4.0%	Current Discount 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	\$388,828	\$479,192	\$598,791

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.

	July 1, 2017
Inflation	2.50%
Salary increases	12.5% at age 20 to 2.5% at age 65 7.45%, net of investment expenses
Investment Rate of Return	3%
Payroll Increases	0.0% effective July 1, 2017
Cost-of-Living Adjustments	4.13%
Blended Discount rate of return	6% - 11% initial, 4.50% ultimate
Health care cost trends	

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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
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	 <u>100.00 %</u>	

* 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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

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 Rate The following tables represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (3.13%) or one-percentage-point higher (5.13%) than the current rate. 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.

		Current	
	1% Decrease (3.13%)	Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$883,692	\$658,251	\$480,080
	1% Decrease In Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB liability	\$457,325	\$658,251	\$922,694

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 10 – Debt

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

	Amount Outstanding 6/30/17	Additions	Deletions	Amount Outstanding 6/30/18	Amount Due in One Year
Governmental Activities					
School Improvement Refunding Bonds:					
Serial Bonds 4.0%	\$ 625,000	\$ -	\$ (625,000)	\$ -	\$ -
Term Bonds 4.0%, 4.2%	1,785,000	-	(1,785,000)	-	-
Capital Appreciation Bonds 4.25%, 4.33%	34,998	-	-	34,998	-
Accretion on CABs	203,337	52,285	-	255,622	-
Total School Improvement Refunding Bonds	<u>2,648,335</u>	<u>52,285</u>	<u>(2,410,000)</u>	<u>290,620</u>	<u>-</u>
School Improvement Bonds:					
Term Bonds 1-4.6%	55,000	-	(55,000)	-	-
Total School Improvement Bonds	<u>55,000</u>	<u>-</u>	<u>(55,000)</u>	<u>-</u>	<u>-</u>
Current Refunding Bonds, 3/16/2017					
Serial Bonds 2.0-2.25%	385,000	-	(30,000)	355,000	70,000
Term Bonds 2.75-3.5%	1,195,000	-	-	1,195,000	-
Capital Appreciation Bonds 2.1%, 2.3%	24,999	-	-	24,999	-
Accretion on CABs	2,313	14,454	-	16,767	-
Total School Improvement Refunding Bonds	<u>1,607,312</u>	<u>14,454</u>	<u>(30,000)</u>	<u>1,591,766</u>	<u>70,000</u>
Current Refunding Bonds, 9/7/2017					
Serial Bonds 2.0-2.375%	-	2,080,000	(15,000)	2,065,000	240,000
Capital Appreciation Bonds 1.75%, 1.85%	-	130,000	-	130,000	-
Accretion on CABs	-	17,519	-	17,519	-
Total Bond Premiums	<u>-</u>	<u>2,227,519</u>	<u>(15,000)</u>	<u>2,212,519</u>	<u>240,000</u>
Total Debt	<u>\$ 4,310,647</u>	<u>\$ 2,294,258</u>	<u>\$ (2,510,000)</u>	<u>\$ 4,094,905</u>	<u>\$ 310,000</u>

On October 4, 2007, Russia Local School District issued a total of \$3,544,998 in school improvement refunding general obligation bonds. Of the \$3,544,998 in refunding bonds, \$1,725,000 is serial bonds with a 4% interest rate with a final maturity on December 1, 2021. \$1,785,000 is term bonds (\$700,000 with a 4% interest rate maturing December 1, 2024 and \$1,085,000 with a 4.2% interest rate maturing December 1, 2028). \$34,998 is capital appreciation bonds (maturity amount of \$215,000 on December 1, 2019 and 2020). All the remaining term and serial bonds were refunded in fiscal year 2018. The capital appreciation bonds were accreted \$52,285 in fiscal year 2018.

On March 9, 2010, the School District issued a total of \$1,940,700 in School Improvement Bonds to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. A portion of these bonds was refunded in fiscal year 2017. The remaining bonds outstanding were paid off in fiscal year 2018.

On March 16, 2017, the School District issued \$1,604,999 in current refunding bonds, with interest rates ranging from 2-3.5%. \$385,000 of the bonds is serial bonds, \$1,195,000 is term bonds, and \$24,999 is capital appreciation bonds (maturity amount of \$75,000 and \$70,000 maturing December 1, 2020 and 2021, respectively).

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 10 – Debt (continued)

On September 7, 2017, the School District issued \$2,210,000 in current refunding bonds, with interest rates ranging from 1.75-2.375%. The bond proceeds were used to advance refund \$2,210,000 of the school improvement bonds which had interest rates ranging from 4.0-4.2%. The net proceeds of \$2,251,408 (after payment of \$70,721 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased.

The School District reduced its required debt service payments \$228,886 over the life of the debt and had an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$199,977.

The School District’s overall debt margin at June 30, 2018, was \$2,380,328 and the unvoted debt margin was \$52,585. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$310,000	\$86,025	\$396,025
2020	114,230	277,745	391,975
2021	45,610	350,416	396,026
2022	125,157	265,867	391,024
2023	310,000	77,925	387,925
2024-2028	1,665,000	288,328	1,953,328
2029-2033	720,000	129,984	849,984
2034-2038	515,000	45,938	560,938
Subtotal	<u>3,804,997</u>	<u>1,522,228</u>	<u>5,327,225</u>
Accretion on Bonds	289,908	(289,908)	
	<u>\$4,094,905</u>	<u>\$1,232,320</u>	

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 11 – Fund Balance

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

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Food Service Operations	\$ -	\$ -	\$ 28,321	\$ 28,321
Classroom Maintenance	-	-	165,640	165,640
Athletics	-	-	24,194	24,194
Capital Improvements	-	-	323,407	323,407
Debt Service	-	1,452,638	-	1,452,638
Total Restricted	-	1,452,638	541,562	1,994,200
Assigned for:				
FY19 Appropriations	648,430	-	-	648,430
Unpaid Obligations	47,954	-	-	47,954
Public School Support	2,808	-	-	2,808
Total Assigned	699,192	-	-	699,192
Unassigned	2,671,830	-	(1,226)	2,670,604
Total Fund Balance	\$ 3,371,022	\$ 1,452,638	\$ 540,336	\$ 5,363,996

Note 12 – Set-Aside Requirements

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

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

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	74,817
Current Year Offsets - Capital facilities maintenance levy	(34,675)
Prior Year Unused Bond Proceeds	(40,142)
Total Set-aside Reserve Balance at June 30, 2018	\$0
Excess Available to Carry-over to Subsequent Year	\$0

The District had current year offsets that reduced the capital improvements set-aside. During prior fiscal years, the District issued \$4,500,500 and \$1,940,700 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$4,532,474 at June 30, 2018.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county. During fiscal year 2018, the School District paid \$29,283 to WOCO for various services. Financial information can be obtained from the WOCO Fiscal Officer, 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 153 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2018, the School District paid \$25,826 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Midwest Regional Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools (continued)

Each school district pays monthly premiums to the provider, currently Medical Mutual for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2018, Russia Local School District contributed \$556,382 from the General Fund. Financial information can be obtained from Larry Lentz, who serves as consultant to the group, Pinnacle Advisory Group, 462 Twelve Oaks Trail, Dayton, Ohio 45434.

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL’s business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2018, the School District paid \$25,826 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Note 14 – Tax Abatement Disclosures

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, the School District is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

Community Reinvestment Area (CRA) Program

The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas (CRA) are areas of land in which property owners can receive tax incentives for investing in real property improvements. In order to use the Community Reinvestment program, a city, village, or county petitions to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once the area is confirmed by the Director of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 14 – Tax Abatement Disclosures (continued)

The type of development is determined by specifying the eligibility of residential, commercial and/or industrial projects. The local governments negotiate property tax exemptions on new property tax from investment for up to one hundred percent for up to fifteen years based on the amount of investments made to renovate or construct buildings within a CRA. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. For commercial projects, job retention and/or creation is also required. Agreements must be in place before the project begins. Provisions for recapturing property tax exemptions, which can be used at the discretions of the local governments, are pursuant to ORC Section 9.66(C)(1) and 9.66(C)(2).

The Village of Russia entered into an agreement with O’Francis Properties, LLC. Approval of the agreement by the Board of Education of Russia Local School District was not required pursuant to an exception set forth in Section 3735.671(A)(2) of the Ohio Revised Code. The property taxes foregone by the School District for the abatement program for the year ended December 31, 2017, was \$2,262.

Note 15 – Negative Fund Balance

During fiscal year 2018, the Title I fund had a deficit fund balance of \$1,226. The deficit will be eliminated when grant dollars are received during the first quarter of fiscal year 2019.

Note 16– Contingent Liabilities

Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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.

Litigation

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

Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional School Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of June 30, 2018, \$846 was due to ODE from the School District.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 17 – Interfund Transactions

The School District transferred \$100,000 from the General Fund to the Permanent Improvement Fund to fund future capital improvements.

Note 18 – Compliance

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2017, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Note 19 – Change in Accounting Principles

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board *Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits other than Pensions”*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See Note 9 for disclosures required by this statement.

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board *Statement No. 82, “Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and no. 73”*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplemental information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board *Statement No. 86, “Certain Debt Extinguishment Issues”*. This statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The implementation of this statement had no effect on the financial statements of the School District.

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Russia Local School District
Statement of Net Position - Cash Basis
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,688,297</u>
Net Position	
Restricted for:	
Capital Projects	\$280,810
Debt Service	1,314,793
Other Purposes	184,591
Unrestricted	<u>2,908,103</u>
<i>Total Net Position</i>	<u>\$4,688,297</u>

See accompanying notes to the basic financial statements.

Russia Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2017

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$2,398,942	\$450,062	\$61,444	(\$1,887,436)
Special	477,449	2,378	264,462	(210,609)
Vocational	7,479	-	11,953	4,474
Student Intervention Services	4,452	-	-	(4,452)
Support Services:				
Pupil	90,503	2,720	-	(87,783)
Instructional Staff	26,877	-	7,410	(19,467)
Board of Education	7,502	-	-	(7,502)
Administration	395,940	-	-	(395,940)
Fiscal	177,855	-	-	(177,855)
Operation and Maintenance of Plant	409,655	448	-	(409,207)
Pupil Transportation	111,225	-	3,470	(107,755)
Central	81,247	-	16,053	(65,194)
Operation of Non-Instructional Services	144,657	107,198	32,363	(5,096)
Extracurricular Activities	194,647	65,990	1,822	(126,835)
Principal Retirement	194,353	-	-	(194,353)
Interest and Fiscal Charges	198,547	-	-	(198,547)
Issuance Costs	55,006	0	0	(55,006)
Payment to Refunded Bond Escrow Agent	1,637,393	0	0	(1,637,393)
<i>Total Governmental Activities</i>	<u>\$6,613,729</u>	<u>\$628,796</u>	<u>\$398,977</u>	<u>(5,585,956)</u>
General Receipts				
Property Taxes Levied for:				
				1,017,223
				412,433
				18,556
				380,586
				2,579,660
				1,604,999
				87,400
				3,014
				1,816
				20,020
				<i>Total General Cash Receipts</i> 6,125,707
				539,751
				<i>Net Position Beginning of Year</i> 4,148,546
				<i>Net Position End of Year</i> \$4,688,297

See accompanying notes to the basic financial statements.

Russia Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,908,103	\$1,314,793	\$465,401	\$4,688,297
<i>Total Assets</i>	<u>\$2,908,103</u>	<u>\$1,314,793</u>	<u>\$465,401</u>	<u>\$4,688,297</u>
Fund Balances				
Restricted	\$0	\$1,314,793	\$465,401	\$1,780,194
Assigned	578,157	-	-	578,157
Unassigned	2,329,946	-	-	2,329,946
<i>Total Fund Balances</i>	<u>\$2,908,103</u>	<u>\$1,314,793</u>	<u>\$465,401</u>	<u>\$4,688,297</u>

See accompanying notes to the basic financial statements.

Russia Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,017,223	\$412,433	\$18,556	\$1,448,212
Income Taxes	380,586	-	-	380,586
Intergovernmental	2,637,841	86,021	251,473	2,975,335
Interest	1,816	-	-	1,816
Tuition and Fees	440,440	-	-	440,440
Rent	-	-	1,325	1,325
Extracurricular Activities	5,656	-	58,651	64,307
Contributions and Donations	4,494	-	1,822	6,316
Charges for Services	-	-	107,198	107,198
Miscellaneous	32,019	-	3,527	35,546
<i>Total Receipts</i>	<u>4,520,075</u>	<u>498,454</u>	<u>442,552</u>	<u>5,461,081</u>
Disbursements				
Current:				
Instruction:				
Regular	2,338,978	-	59,964	2,398,942
Special	360,728	-	116,721	477,449
Vocational	2,979	-	4,500	7,479
Student Intervention Services	4,452	-	-	4,452
Support Services:				
Pupil	90,503	-	-	90,503
Instructional Staff	19,467	-	7,410	26,877
Board of Education	7,502	-	-	7,502
Administration	395,940	-	-	395,940
Fiscal	167,927	9,504	424	177,855
Operation and Maintenance of Plant	311,016	-	98,639	409,655
Pupil Transportation	94,654	-	16,571	111,225
Central	65,194	-	16,053	81,247
Operation of Non-Instructional Services	3,194	-	141,463	144,657
Extracurricular Activities	148,853	-	45,794	194,647
Debt Service:				
Principal Retirement	-	194,353	-	194,353
Interest and Fiscal Charges	-	198,547	-	198,547
Issuance Costs	-	55,006	-	55,006
<i>Total Disbursements</i>	<u>4,011,387</u>	<u>457,410</u>	<u>507,539</u>	<u>4,976,336</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>508,688</u>	<u>41,044</u>	<u>(64,987)</u>	<u>484,745</u>
Other Financing Sources (Uses)				
Payment to Refunded Bond Escrow Agent	-	(1,637,393)	-	(1,637,393)
Refunding Bonds Issued	-	1,604,999	-	1,604,999
Premium on Refunding Bonds	-	87,400	-	87,400
Transfers In	-	-	100,000	100,000
Transfers Out	(100,000)	-	-	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>55,006</u>	<u>100,000</u>	<u>55,006</u>
<i>Net Change in Fund Balances</i>	408,688	96,050	35,013	539,751
<i>Fund Balances Beginning of Year</i>	<u>2,499,415</u>	<u>1,218,743</u>	<u>430,388</u>	<u>4,148,546</u>
<i>Fund Balances End of Year</i>	<u>\$2,908,103</u>	<u>\$1,314,793</u>	<u>\$465,401</u>	<u>\$4,688,297</u>

See accompanying notes to the basic financial statements.

Russia Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budgetary Basis
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property Taxes	\$1,000,000	\$1,000,000	\$1,017,223	\$17,223
Income Taxes	400,000	400,000	380,586	(19,414)
Intergovernmental	2,663,500	2,663,500	2,637,841	(25,659)
Interest	1,100	1,100	1,816	716
Tuition and Fees	453,000	453,000	440,440	(12,560)
Extracurricular Activities	5,550	5,550	2,936	(2,614)
Contributions and Donations	3,500	3,500	3,014	(486)
Miscellaneous	19,500	29,437	21,425	(8,012)
Total Receipts	4,546,150	4,556,087	4,505,281	(50,806)
Disbursements				
Current:				
Instruction:				
Regular	2,293,674	2,348,611	2,338,447	10,164
Special	458,650	458,650	362,826	95,824
Vocational	4,000	4,000	2,979	1,021
Student Intervention Services	11,350	11,350	4,452	6,898
Support Services:				
Pupils	82,727	87,727	86,947	780
Instructional Staff	30,750	30,750	19,467	11,283
Board of Education	8,550	8,550	7,502	1,048
Administration	400,875	400,875	395,940	4,935
Fiscal	177,899	177,899	171,165	6,734
Business	600	600	-	600
Operation and Maintenance of Plant	361,698	361,698	329,570	32,128
Pupil Transportation	177,515	177,515	102,841	74,674
Central	70,670	70,670	65,419	5,251
Operation of Non-Instructional Services	10,000	10,000	2,894	7,106
Extracurricular Activities	145,480	155,480	148,853	6,627
Total Disbursements	4,234,438	4,304,375	4,039,302	265,073
Excess of Receipts Over (Under) Disbursements	311,712	251,712	465,979	214,267
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	20,000	20,000	10,595	(9,405)
Transfers Out	(100,000)	(100,000)	(100,000)	-
Other Financing Uses	(800,000)	(740,000)	-	740,000
Total Other Financing Sources (Uses)	(880,000)	(820,000)	(89,405)	730,595
Net Change in Fund Balances	(568,288)	(568,288)	376,574	944,862
Fund Balance at Beginning of Year	2,464,194	2,464,194	2,464,194	-
Prior Year Encumbrances Appropriated	28,508	28,508	28,508	-
Fund Balance at End of Year	\$1,924,414	\$1,924,414	\$2,869,276	\$944,862

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$9,785	\$24,610
Liabilities		
Due to Students	-	\$24,610
Net Position		
Held in Trust for Scholarships	9,785	
Total Net Position	\$9,785	

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions	
Gifts and Contributions	\$33,529
Deductions	
Scholarships	32,020
Change in Net Position	1,509
Net Position - Beginning of Year	8,276
Net Position - End of Year	\$9,785

See accompanying notes to the basic financial statements

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Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Reporting Entity

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

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District's instructional/support facilities is staffed by 20 non-certificated employees, 34 certificated teaching personnel and 3 administrative employees to provide services to 430 students. It currently operates one instructional building.

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

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Reporting Entity (continued)

The School District participates in two jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Western Ohio Computer Organization (WOCO)
Southwestern Ohio Educational Purchasing Council (SOEPC)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Shelby County Schools Consortium
Southwestern Ohio Educational Purchasing Council Property, Fleet and
Liability Insurance Program

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental activities (primarily those supported through taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District does not have any business-type activities.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

Governmental Funds

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

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

Bond Retirement Fund - The Bond Retirement Fund debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

The other governmental funds of the School District account for (a) financial resources are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs, which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities, which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or the Treasurer identifies decreases in receipts. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the Board passed final appropriations.

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

E. Cash and Investments

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

Investments of the School District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During fiscal year 2017, the School District did not have any investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2017 was \$1,816, which included \$700 assigned from other School District funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Net Position

The net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. The School District did not have any net position restricted by enabling legislation at June 30, 2017.

L. 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:

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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 fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

M. Interfund Transactions

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

N. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 408,688
Encumbrances	(34,207)
Perspective Differences	2,093
Budgetary Basis	<u>\$ 376,574</u>

Note 4 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim deposits 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to be deposited or invested in the following securities:

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 4 - Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$4,722,692. Cash balances per the bank were \$4,778,849. \$250,000 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2017, \$4,528,849 of the School District's bank balance of \$4,778,849 was exposed to custodial risk and was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the School District's name.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 4 - Deposits and Investments (continued)

Investments

The School District did not have any investments at June 30, 2017.

Note 5 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

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

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Shelby 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, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$50,233,250	95.35%	\$50,507,530	95.37%
Public Utility Personal	2,452,350	4.65	2,452,350	4.63
Total	<u>\$52,685,600</u>	<u>100.00%</u>	<u>\$52,959,880</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$43.25		\$43.25	

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 6 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 7 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracted with Arthur Gallagher Risk Management Services, Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building and Contents (\$5,000 deductible)	\$30,710,520
Boiler and Machinery (\$3,500 deductible)	250,000,000
Flood & Earthquake per occurrence/aggregate	1,000,000
Cyber Liability/Identity Theft (\$15,000 deductible)	1,000,000
Automobile Liability (per occurrence, \$1,000 deductible)	1,000,000
Money and Securities (per occurrence, \$5,000 deductible)	500,000
Employee Benefits Liability	
Per occurrence	1,000,000
School Board Legal Liability (\$10,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate per member	3,000,000
Excess Liability – (occurrence/aggregate per district)	3,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2017, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 7 - Risk Management (continued)

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

Note 8 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund).

For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent; 0 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$82,501 for fiscal year 2017.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five year 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. The member determines investment allocation decisions. 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, the member allocates member contributions among investment choices, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$265,999 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,306,814	\$5,388,131	\$6,694,945
Proportion of the Net Pension Liability			
Current Measurement Date	0.0178549%	0.01609694%	
Prior Measurement Date	0.0178510%	0.01686210%	
Change in Proportionate Share	0.0000039%	-0.00076516%	

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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

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, 2016, are presented below:

Wage Inflation	3.0%
Future Salary Increases, including inflation	3.5%-18.20%
COLA or Ad Hoc COLA	3 %
Investment Rate of Return	7.5% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For mortality assumptions, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected 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%
	100.00%	

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75% was used in the prior measurement period. 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	\$1,730,140	\$1,306,814	\$952,472

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	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 paid on fifth anniversary of retirement date.

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 not set back from age 90 and above.

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

The 10-year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Defined Benefit Pension Plans (continued)

Asset Class	Target		Long Term Expected	
	Allocation		Real Rate of Return	
Domestic Equity	31.00	%	8.00	%
International Equity	26.00		7.85	
Alternatives	14.00		8.00	
Fixed Income	18.00		3.75	
Real Estate	10.00		6.75	
Liquidity Reserves	1.00		3.00	
Total	100.00	%		

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$7,160,388	\$5,388,131	\$3,893,128

Changes Between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's net pension liability is expected to be significant.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 – Postemployment Benefits

School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program.

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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan.

Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, 0 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. 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 2017, the School District's surcharge obligation was \$9,821.

The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$9,821, \$9,123, and \$15,780, respectively. For fiscal year 2017, 0 percent has been contributed. The full amount has been contributed for fiscal years 2016 and 2015.

State Teachers Retirement System (STRS)

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 – Postemployment Benefits

State Teachers Retirement System (STRS) (continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal years ended June 30, 2017, 2016, and 2015, STRS did not allocate any employer contributions to postemployment health care.

Note 10 – Debt

The changes in the School District’s long-term obligations during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/2016	Additions	Deletions	Amount Outstanding 6/30/2017	Amount Due in One Year
Governmental Activities					
School Improvement Refunding Bonds:					
Serial Bonds 4.0%	\$ 815,000	\$ -	\$ (190,000)	\$ 625,000	\$ 200,000
Term Bonds 4.0%, 4.2%	1,785,000	-	-	1,785,000	-
Capital Appreciation Bonds 4.25%, 4.33%	34,998	-	-	34,998	-
Accretion on CABs	160,459	42,878	-	203,337	-
Total School Improvement Refunding Bond	2,795,457	42,878	(190,000)	2,648,335	200,000
School Improvement Bonds:					
Term Bonds 1-4.6%	1,660,000	-	(1,605,000)	55,000	55,000
Capital Appreciation Bonds 2.85%, 3.1%	55,000	-	(55,000)	-	-
Total School Improvement Bonds	1,715,000	-	(1,660,000)	55,000	55,000
Current Refunding bonds, Series 2017					
Serial Bonds 2.0-2.25%	-	385,000	-	385,000	30,000
Term Bonds 2.75-3.5%	-	1,195,000	-	1,195,000	-
Capital Appreciation Bonds 2.1%, 2.3%	-	24,999	-	24,999	-
Accretion on CABs	-	2,313	-	2,313	-
Total School Improvement Refunding Bond	-	1,607,312	-	1,607,312	30,000
Total Debt	\$4,510,457	\$1,650,190	(\$1,850,000)	\$4,310,647	\$285,000

On October 4, 2007, Russia Local School District issued a total of \$3,544,998 in school improvement refunding general obligation bonds. Of the \$3,544,998 in refunding bonds, \$1,725,000 is serial bonds with a 4% interest rate with a final maturity on December 1, 2021. \$1,785,000 is term bonds (\$700,000 with a 4% interest rate maturing December 1, 2024 and \$1,085,000 with a 4.2% interest rate maturing December 1, 2028). \$34,998 is capital appreciation bonds (maturity amount of \$215,000 on December 1, 2019 and 2020). The capital appreciation bonds were accreted \$42,878 in fiscal year 2017.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 10 – Debt (continued)

On March 9, 2010, the School District issued a total of \$1,940,700 in School Improvement Bonds to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bond proceeds were used to retire the bond anticipation notes which matured May 4, 2010. Of the \$1,940,700 in improvement bonds, \$1,930,000 is term bonds with interest rates ranging from 1% to 4.6% with the final maturity on December 1, 2037. The remaining \$10,700 is capital appreciation bonds (maturity amount of \$55,000 on December 1, 2015 and 2016). The term bonds are subject to mandatory sinking fund redemption.

On March 16, 2017, the School District issued \$1,604,999 in current refunding bonds, with interest rates ranging from 2-3.5%. The bond proceeds were used to advance refund \$1,605,000 of the school improvement bonds which had interest rates ranging from 3.1-4.6%. The net proceeds of \$1,637,393 (after payment of \$55,007 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased.

The School District reduced its required debt service payments \$155,841 over the life of the debt and had an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$107,891. The School District’s overall debt margin at June 30, 2017, was \$1,976,185 and the unvoted debt margin was \$52,960. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$285,000	\$141,523	\$426,523
2019	280,000	131,470	411,470
2020	89,230	321,640	410,870
2021	31,292	383,878	415,170
2022	224,475	181,395	405,870
2023-2027	1,590,000	444,139	2,034,139
2028-2032	995,000	164,358	1,159,358
2033-2037	500,000	63,581	563,581
2038	110,000	1,925	111,925
Subtotal	4,104,997	1,833,909	5,938,906
Accretion on Bonds	205,650	(205,650)	-
Total	\$4,310,647	\$1,628,259	\$5,938,906

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 11 – Fund Balance

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

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Food Service Operations	\$ -	\$ -	\$ 27,515	\$ 27,515
Classroom Maintenance	-	-	139,693	139,693
Athletics	-	-	17,383	17,383
Capital Improvements	-	-	280,810	280,810
Debt Service	-	1,314,793	-	1,314,793
Total Restricted	-	1,314,793	465,401	1,780,194
Assigned for:				
Unpaid Obligations	34,207	-	-	34,207
FY 18 Appropriations	539,780	-	-	539,780
Public School Support	4,170	-	-	4,170
Total Assigned	578,157	-	-	578,157
Unassigned	2,329,946	-	-	2,329,946
Total Fund Balance	\$ 2,908,103	\$ 1,314,793	\$ 465,401	\$ 4,688,297

Note 12 – Set-Aside Requirements

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

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

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	75,397
Prior Year Offset from Bond Proceeds	(42,381)
Current Year Offset - Classroom facilities maintenance levy	(33,016)
Total Set-aside Reserve Balance at June 30, 2017	\$0
Excess Available to Carry-Over to Subsequent Year	\$0

The District had current year offsets that reduced the capital improvements set-aside. During prior fiscal years, the District issued \$4,500,500 and \$1,940,700 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$4,572,616 at June 30, 2017.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county. During fiscal year 2018, the School District paid \$29,117 to WOCO for various services. Financial information can be obtained from the WOCO Fiscal Officer, 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 153 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2017, the School District paid \$26,061 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Midwest Regional Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools (continued)

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2017, Russia Local School District contributed \$425,002 from the General Fund. Financial information can be obtained from Pinnacle Advisory Group, 462 Twelve Oaks Trail, Dayton, Ohio 45434.

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL’s business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2017, the School District paid \$26,061 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Note 14 – Tax Abatement Disclosures

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, the School District is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

Community Reinvestment Area (CRA) Program

The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas (CRA) are areas of land in which property owners can receive tax incentives for investing in real property improvements. In order to use the Community Reinvestment program, a city, village, or county petitions to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once the area is confirmed by the Director of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

The type of development is determined by specifying the eligibility of residential, commercial and/or industrial projects. The local governments negotiate property tax exemptions on new property tax from investment for up to one hundred percent for up to fifteen years based on the amount of investments made to renovate or construct buildings within a CRA. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. For commercial projects, job retention and/or creation is also required. Agreements must be in place before the project begins. Provisions for recapturing property tax exemptions, which can be used at the discretions of the local governments, are pursuant to ORC Section 9.66(C)(1) and 9.66(C)(2).

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 14 – Tax Abatement Disclosures (continued)

The Village of Russia entered into an agreement with O’Francis Properties, LLC. Approval of the agreement by the Board of Education of Russia Local School District was not required pursuant to an exception set forth in Section 3735.671(A)(2) of the Ohio Revised Code. The property taxes foregone by the School District for the abatement program for the year ended December 31, 2016, was \$2,262.

Note 15– Contingent Liabilities

Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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, 2017.

Litigation

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

Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional School Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of June 30, 2017, \$642 was due the School District.

Note 16 – Interfund Transactions

The School District transferred \$100,000 from the General Fund to the Permanent Improvement Fund to fund future capital improvements.

Note 17 – Compliance

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2017, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 18 – Change in Accounting Principles

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”* This statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement provides guidance for the pension plans. The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 77, “Tax Abatement Disclosures.”* This statement requires governments that enter into tax abatement agreements to disclose information to make these transactions more transparent to the financial statement users. These disclosures can be found in Note 14.

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board *Statement No. 80, “Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14.”* This statement amends the blending requirements for financial statement presentation of component units. The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board *Statement No. 81, “Irrevocable Split-Interest Agreements.”* This statement improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this statement had no effect on the financial statements of the School District.

OHIO AUDITOR OF STATE KEITH FABER



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

Russia Local School District
Shelby County
100 School Street
Russia, Ohio 45363

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Russia Local School District, Shelby County, (the School District) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 1, 2019, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274
www.ohioauditor.gov

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

April 1, 2019

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Failure to File GAAP - Noncompliance

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

Ohio Admin. Code § 117-2-03(B) requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal years 2018 and 2017 that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position and disclosures that, while presumed material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District did not file GAAP statements in fiscal year 2018 and 2017.

Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows of resources, fund equity/net position and the disclosures required to accurately and completely present the School District's financial condition.

Official's Response: We did not receive a response from Officials to this finding.

Russia Local School

100 School Street
Russia, Ohio 45363-9811
www.russiaschool.org

Steven J. Rose, Superintendent
Brian P. Hogan, Principal
Jean Borchers, Treasurer

(937) 526-3156
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 117.38 & Ohio Admin. Code § 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP. Comment first issued June 30, 2016 audit.	Not addressed or fixed in current audit period	Repeated as finding 2018-001

OHIO AUDITOR OF STATE KEITH FABER



RUSSIA LOCAL SCHOOL DISTRICT

SHELBY 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
MAY 9, 2019**