Bright Local School District

Basic Financial Statements

Year Ended June 30, 2018

With Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

Dave Yost • Auditor of State

Board of Education
Bright Local School District
44 North High Street
P. O, Box 299
Mowrystown, Ohio 45155

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

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

Dave Yost
Auditor of State

December 21, 2018

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

This page intentionally left blank.

TABLE OF CONTENTS

This page intentionally left blank.

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Bright Local School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2. This responsibility includes determining that the modified cash accounting basis is acceptable for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Basis of Accounting

Ohio Administrative Code Section 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 of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended June 30, 2018, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* as it relates to disclosures for the modified cash basis of accounting. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bright Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We applied no procedures to the Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 11, 2018

As management of the Bright Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. The intent of this discussion is to look at the School District's performance as a whole, and we encourage readers to consider the information presented here to enhance their understanding of the School District's overall financial performance.

Financial Highlights

- The assets of the Bright Local School District exceeded its liabilities at June 30, 2018 by $14,961,960.
- The School District's net position increased $323,803 during this fiscal year's operations.
- General receipts accounted for $7,778,838 or 76 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for $2,464,744 or 24 percent of all receipts of $10,243,582.
- The School District had $9,919,779 in disbursements related to governmental activities; only $2,464,744 of these disbursements were offset by program specific charges for services and sales, grants, and contributions.

Using the Basic Financial Statements

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

Report Components

The Statement of Net Position and the Statement of Activities provide information about the School District's modified cash activities as a whole.

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

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

Basis of Accounting

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

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. As more fully described in Note 2 to the basic financial statements, the School District does record capital assets, long-term debt and depreciation in the government-wide financial statements. Therefore, when reviewing the financial information discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities – Modified Cash Basis

The Statement of Net Position and the Statement of Activities reflect how the School District did financially during fiscal year 2018, within the limitations of modified cash basis accounting. The Statement of Net Position presents the cash balances, investments, capital assets, and long-term debt balances of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental program draws from the School District's general receipts.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds, and the analysis of the major funds begins on page 8. The School District uses many funds to account for a multitude of financial transactions. The major funds for the Bright Local School District are the General and Debt Service Funds.

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

Fiduciary Fund – The School District's only fiduciary fund is an agency fund. We exclude this activity from the School District's other financial statements because the School District cannot use these assets to finance its operations. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. Fiduciary funds use the modified cash basis of accounting.

The School District as a Whole

As stated previously, the Statement of Net Position looks at the School District as a whole. Table 1 provides a summary of the School District's net position for the fiscal years ended 2018 and 2017.

Table 1
Net Position
Governmental Activities

	2018	2017	Change
Assets			
Current and Other Assets	$4,275,326	$3,687,669	$587,657
Capital Assets, Net	12,031,646	12,191,134	(159,488)
Total Assets	16,306,972	15,878,803	428,169
Liabilities			
Long-Term Liabilities	1,345,012	1,240,646	104,366
Net Position			
Net Investment in Capital Assets	10,686,634	10,950,488	(263,854)
Restricted	668,940	697,414	(28,474)
Unrestricted	3,606,386	2,990,255	616,131
Total Net Position	$14,961,960	$14,638,157	$323,803

Total assets increased $428,169. Current and other assets increased due to increased cash on hand as of June 30, 2018. Capital assets decreased $159,488 due to depreciation and disposals exceeding additions for the current year. Long-Term Liabilities increased due to additional capital leases, which were partially offset by current year debt principal payments.

Table 2, on the following page, shows the highlights of the School District's receipts and disbursements. These two main components are netted to yield the change in net position.

Receipts are divided into two major components: Program Receipts and General Receipts. Program Receipts are defined as charges for services and sales, restricted grants, and contributions. General Receipts include taxes, unrestricted grants, such as State foundation support, unrestricted interest, and miscellaneous receipts.

Table 2
Change in Net Position
Governmental Activities

	2018	2017
Receipts		
Program Receipts:		
Charges for Services and Sales	$1,088,519	$1,153,417
Operating Grants and Contributions	1,376,225	1,226,187
Total Program Receipts	2,464,744	2,379,604
General Receipts:		
Property Taxes	1,936,004	1,866,265
Grants and Entitlements not Restricted to Specific Programs	5,672,328	5,764,470
Gifts and Donations not Restricted to Specific Programs	18,599	1,653
Interest	36,430	14,807
Miscellaneous	115,477	137,052
Refund of Prior Year Expenditures	0	450
Total General Receipts	7,778,838	7,784,697
Total Receipts	10,243,582	10,164,301
Program Disbursements		
Instruction:		
Regular	3,419,033	3,697,308
Special	1,295,540	1,119,376
Vocational	158,957	208,353
Student Intervention Services	1,337,247	1,320,907
Support Services:		
Pupils	337,511	350,242
Instructional Staff	164,141	167,110
Board of Education	56,617	51,045
Administration	531,045	515,581
Fiscal	320,484	315,072
Business	1,500	215
Operation and Maintenance of Plant	983,305	835,964
Pupil Transportation	712,177	715,639
Central	3,500	8,354
Operation of Non-Instructional Services:		
Food Service Operations	397,036	401,839
Extracurricular Activities	124,196	104,916
Interest and Fiscal Charges	77,490	36,951
Issuance Costs	0	16,150
Total Disbursements	9,919,779	9,865,022
Change in Net Position	323,803	299,279
Net Position at Beginning of Year	14,638,157	14,338,878
Net Position at End of Year	$14,961,960	$14,638,157

Governmental Activities

Grants and Entitlements not Restricted to Specific Programs made up 55 percent of cash receipts for governmental activities. Property tax receipts made up 19 percent of the total cash receipts for a total of 74 percent of the School District cash receipts. Charges for services and sales decreased as a result of less tuition and fees collected in the current fiscal year. Grants and Entitlements not Restricted to Specific Programs decreased as a result of less monies received through foundation payments.

Regular instruction comprises 34 percent of governmental program cash disbursements. Disbursements increased slightly from the prior year. Regular instruction decreased due to a decrease in health benefit costs from the prior year. Operation and maintenance of plant increased due to the School District's increased costs for the upkeep of buildings and grounds. Interest and fiscal charges increased from the prior year due to accreted debt that matured during the current year.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs, and the net cost column shows how much of the total amount is not covered by program receipts. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns represents restricted grants, fees, and donations.

Table 3
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction	$6,210,777	$4,537,016	$6,345,944	$4,745,977
Support Services	3,110,280	2,721,954	2,959,222	2,546,012
Operation of Non-Instructional Services	397,036	38,956	401,839	70,239
Extracurricular Activities	124,196	79,619	104,916	70,089
Interest and Fiscal Charges	77,490	77,490	36,951	36,951
Issuance Costs	0	0	16,150	16,150
Total Expenses	$9,919,779	$7,455,035	$9,865,022	$7,485,418

The School District's Funds

Information about the School District's major governmental funds begins on page 14. These funds are reported using the modified cash basis of accounting. All governmental funds had total receipts and other financing sources of $10,673,547 and disbursements and other financing uses of $10,085,890. The net change in fund balance was most significant in the General Fund, an increase of $616,131 as a result of receipts and other financing sources exceeding disbursements and other financing uses. The School District continues to work diligently to maintain costs.

The Debt Service Fund saw a decrease in fund balance this fiscal year of $13,845; however, the fund balance of $451,160 provides sufficient resources to handle the decrease.

General Fund – Budget Highlights

The School District's budget is prepared according to the requirements of Ohio law, and is based on cash receipts, disbursements and encumbrances. During the course of fiscal year 2018, the School District revised its budget as it attempted to deal with unexpected changes in disbursements. A summary of the General Fund's original and final budgeted amounts is reported on page 18, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amount.

The School District's ending unobligated cash balance was $2,537,816 above the final budgeted amount for the General Fund.

For the General Fund, original and final budgeted receipts were $8,748,247. The difference between actual budget basis receipts and final budgeted receipts was $383,116, which was due to increases in intergovernmental receipts.

Original budgeted disbursements in the General Fund were $10,698,235 and final budgeted disbursements were $10,716,356. This represents an increase in estimated disbursements of $18,121. Actual budget basis disbursements were less than final budgeted disbursements in the amount of $2,154,700, which was due to purchased services for special instruction and instructional staff support services. These services were originally budgeted to be paid from the General Fund, but were ultimately paid out of the IDEA Grant fund.

Capital Assets and Debt Administration

Capital Assets

The Bright Local School District's investment in capital assets as of June 30, 2018 was $12,031,646. The investment in capital assets includes land, land improvements, buildings and building improvements, furniture, fixtures and equipment and vehicles. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017.

Table 4
Capital Assets at June 30
(Net of Depreciation)
Governmental Activities

	2018	2017
Land	$213,658	$192,775
Land Improvements	32,761	40,719
Buildings and Building Improvements	10,888,031	11,162,479
Furniture, Fixtures and Equipment	363,179	427,009
Vehicles	534,017	368,152
Totals	$12,031,646	$12,191,134

Net capital assets decreased $159,488 from the prior fiscal year. This is due to depreciation and disposals, which were partially offset by additions.

For more information on capital assets, refer to note 8 to the basic financial statements.

Debt

At June 30, 2018, the School District had $1,345,012 in bonds and leases outstanding, with $151,142 due within one year. Table 5 summarizes the bonds outstanding at fiscal year-end.

Table 5
Outstanding Debt, at Fiscal Year-end
Governmental Activities

	2018	2017
General Obligation Bonds:		
2010 School Improvement Refunding Bonds	$175,000	$190,000
2017 Energy Conservation Bond	481,999	514,767
2012 Energy Conservation Bond	378,000	378,000
Capital Leases	310,013	157,879
Totals	$1,345,012	$1,240,646

The School District's overall legal debt margin was $8,224,771 with an unvoted debt margin of $102,886 at June 30, 2018.

For more information on debt, refer to note 13 to the basic financial statements.

Financial Issues/Concerns

Revenue

The Bright Local School District is heavily dependent on state funding with approximately 70% of its general fund receipts coming from the state foundation. In FY18, the School District went on the "guarantee." The guarantee ensured a level of funding above what was indicated by formula funded. This change stabilized funding for FY18. However, it is expected that the School District will go back being formula funding in FY19 and beyond. Funding for FY19 should be stable but with FY20 being part of a new biennium budget it is hard to predict what changes could be made to the formula. Because of the uncertainty, the only assumption that is reasonable at this time is that funding will remain flat. While the funding formula is complex the two key drivers are enrollment and the School District's state share index.

Overall, enrollment is the most important factor impacting the School District's state funding. Over the last ten years the School District has experienced a consistent drop in enrollment. In fiscal years 2017 and 2018 enrollment increased slightly. Enrollment is expected to be up slightly again in FY19 due to strong kindergarten enrollment, but enrollment is expected to start declining again starting in FY20.

The School District's state share index sits at approximately 54%. The index is calculated by dividing the total property valuation in the School District (residential, agriculture, and commercial) by the number of students. From a valuation perspective, the School District is perceived as relatively wealthy due to the low student density and the large amount of agriculture land. Changes in agriculture land valuation by the state will drive down the valuations per pupil but these changes will not impact the School District's state share index until FY21. In the meantime, decreases in agriculture land valuation will drive down local revenues from inside millage and cause residential property owners to shoulder a higher burden of the outside millage.

Expenditures

The most significant expenditure item for the School District is in salary and benefits. Over the last three years the staff have received cost of living increases causing instructional costs to increase. These increases have come after several years of no salary growth. However, the fastest growing portion of Bright's expenditures has been in benefits, specifically health insurance.

Compared to the national average, local increases in health insurance premiums have been fairly modest. Participation with the Brown County Health Insurance Consortium has been a major positive factor in controlling health insurance costs. However, it is expected that rate increases in health insurance premiums will increase and fall more in line with national norms. With the latest collective bargaining agreements, the School District did negotiate higher contribution levels by the certified and classified unions.

The second biggest expenditure area is purchased services with open enrollment being the biggest driver. The School District has net loss of students to open enrollment negatively impacting the School District by over $150,000/year. Students are choosing to attend other public schools, community schools and electronic classrooms. The School District continues to reach out to these students to try and bring them back. To offset some of these losses Bright Local Schools has revised its transportation philosophies to bring open enrollment students in where feasible by traveling outside the School District.

Several years ago, the School District, to save money, changed its bus routing from single routing to double routing. Double routing has the benefit of requiring less full-time drivers thus decreasing the cost of benefits. The School District has seen a reduction in labor costs as a result but the impact of doubling the time and distance each bus spends on the route has had the unintended consequence of increasing maintenance costs. Transportation costs are being watched closely. Several steps are being taken to reduce these costs including the replacement of diesel buses with propane buses.

After many years of neglect, the School District spent significant amounts of money in FY17 on capital maintenance items including repaving and resealing parking lots, replacing leaking roofs and replacing a worn-out gym floor. Significant continual investment in the School District's buildings is needed and the School District is looking at options to fund a 10-year capital plan to reduce the impact on the general fund.

Cost control continues to be an emphasis to ensure that School District's limited funds are being used in a way that provides the most benefit to its students. Lighting upgrades through a HB264 project has resulted in decreased electrical usage. The full benefit of these savings will be seen in future years. Also, the School District has negotiated new contracts for propane and electricity which will help drive down overall utility costs.

While there continues to be significant threats to the financial health of the School District, through fiscal discipline and stabilized enrollment the School District should remain financially healthy over the next couple of years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Randy Drewyor, Treasurer, at Bright Local School District, P.O. Box 299, Mowrystown, Ohio 45155.

Bright Local School District

Statement of Net Position - Modified Cash Basis

June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$4,094,513
Investments with Escrow Agents	180,813
Capital Assets:	
Non-Depreciable Capital Assets	213,658
Depreciable Capital Assets, Net	11,817,988
Total Assets	16,306,972
Liabilities	
Due Within One Year	151,142
Due in More Than One Year	1,193,870
Total Liabilities	1,345,012
Net Position	
Net Investment in Capital Assets	10,686,634
Restricted for:	
Capital Projects	15,375
Debt Service	451,160
Other Purposes	202,405
Unrestricted	3,606,386
Total Net Position	$14,961,960

See accompanying notes to the basic financial statements

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

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$3,419,033	$347,494	$44,256	($3,027,283)
Special	1,295,540	151,289	894,962	(249,289)
Vocational	158,957	18,683	58,891	(81,383)
Student Intervention Services	1,337,247	158,186	0	(1,179,061)
Support Services:				
Pupils	337,511	39,866	7,244	(290,401)
Instructional Staff	164,141	19,317	5,231	(139,593)
Board of Education	56,617	6,697	0	(49,920)
Administration	531,045	62,778	24	(468,243)
Fiscal	320,484	37,907	788	(281,789)
Business	1,500	177	0	(1,323)
Operation and Maintenance of Plant	983,305	114,244	20,198	(848,863)
Pupil Transportation	712,177	73,441	0	(638,736)
Central	3,500	414	0	(3,086)
Operation of Non-Instructional Services:				
Food Service Operations	397,036	44,164	313,916	(38,956)
Extracurricular Activities	124,196	13,862	30,715	(79,619)
Interest and Fiscal Charges	77,490	0	0	(77,490)
Total Governmental Activities	$9,919,779	$1,088,519	$1,376,225	(7,455,035)

General Receipts	
Property Taxes Levied for:	
General Purposes	1,901,528
Capital Outlay	34,476
Grants and Entitlements not Restricted to Specific Programs	5,672,328
Gifts and Dontations not Restricted to Specific Programs	18,599
Interest	36,430
Miscellaneous	115,477
Total General Receipts	7,778,838
Change in Net Position	323,803
Net Position at Beginning of Year	14,638,157
Net Position at End of Year	$14,961,960

See accompanying notes to the basic financial statements

Bright Local School District

Statement of Assets and Fund Balances - Modified Cash Basis

Governmental Funds

June 30, 2018

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$3,606,386	$270,347	$217,780	$4,094,513
Investments with Escrow Agents	0	180,813	0	180,813
Total Assets	$3,606,386	$451,160	$217,780	$4,275,326
Fund Balances				
Restricted	0	451,160	217,780	668,940
Assigned	175,173	0	0	175,173
Unassigned	3,431,213	0	0	3,431,213
Total Fund Balances	$3,606,386	$451,160	$217,780	$4,275,326

See accompanying notes to the basic financial statements

Bright Local School District

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities - Modified Cash Basis

June 30, 2018

Total Governmental Fund Balances	$4,275,326
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,031,646
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Energy conservation bonds payable	(859,999)
School improvement refunding bonds payable	(175,000)
Capital leases payable	(310,013)
Net Position of Governmental Activities	$14,961,960

See accompanying notes to the basic financial statements

Bright Local School District

Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis

Governmental Funds

For the Fiscal Year Ended June 30, 2018

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	$1,901,528	$0	$34,476	$1,936,004
Intergovernmental	6,139,296	0	905,007	7,044,303
Interest	32,190	4,051	189	36,430
Tuition and Fees	956,764	0	0	956,764
Extracurricular Activities	7,808	0	25,295	33,103
Gifts and Donations	18,599	0	4,250	22,849
Customer Sales and Services	114	0	98,538	98,652
Miscellaneous	77,982	18,351	19,144	115,477
Total Receipts	9,134,281	22,402	1,086,899	10,243,582
Disbursements				
Current:				
Instruction:				
Regular	2,884,943	0	54,182	2,939,125
Special	738,506	0	556,315	1,294,821
Vocational	153,883	0	4,179	158,062
Student Intervention Services	1,337,247	0	0	1,337,247
Support Services:				
Pupils	328,396	0	8,868	337,264
Instructional Staff	157,078	0	6,404	163,482
Board of Education	56,617	0	0	56,617
Administration	530,673	0	29	530,702
Fiscal	319,519	0	965	320,484
Business	1,500	0	0	1,500
Operation and Maintenance of Plant	941,758	0	24,728	966,486
Pupil Transportation	620,842	0	0	620,842
Central	3,500	0	0	3,500
Operation of Non-Instructional Services	0	0	384,317	384,317
Extracurricular Activities	80,658	0	37,603	118,261
Capital Outlay	451,291	0	0	451,291
Debt Service				
Principal Retirement	0	114,934	0	114,934
Interest and Fiscal Charges	0	77,490	0	77,490
Total Disbursements	8,606,411	192,424	1,077,590	9,876,425
Excess of Receipts Over (Under) Disbursements	527,870	(170,022)	9,309	367,157
Other Financing Sources (Uses)				
Inception of Capital Lease	219,300	0	0	219,300
Proceeds from Sale of Capital Assets	1,200	0	0	1,200
Transfers In	0	156,177	0	156,177
Advances In	38,613	0	14,675	53,288
Transfers Out	(156,177)	0	0	(156,177)
Advances Out	(14,675)	0	(38,613)	(53,288)
Total Other Financing Sources (Uses)	88,261	156,177	(23,938)	220,500
Net Change in Fund Balances	616,131	(13,845)	(14,629)	587,657
Fund Balances at Beginning of Year	2,990,255	465,005	232,409	3,687,669
Fund Balances at End of Year	$3,606,386	$451,160	$217,780	$4,275,326

See accompanying notes to the basic financial statements

Bright Local School District

Reconciliation of the Change in Fund Balances of Governmental Funds
to the Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$587,657
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as disbursements in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital asset additions	449,112	
Depreciation expense	(607,029)	
Excess of depreciation expense over capital additions		(157,917)
Governmental funds only report the disposal on capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale.		
Loss on Disposal of Assets	(371)	
Proceeds from Sale of Capital Assets	(1,200)	
		(1,571)
Inception of capital leases are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Inception of capital lease		(219,300)
Repayment of long-term debt is reported as a disbursement in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, this amount consisted of:		
Bond payments	47,768	
Capital lease payments	67,166	
Total long-term debt repayment		114,934
Change in Net Position of Governmental Activities		$323,803

See accompanying notes to the basic financial statements

Bright Local School District

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget (Budgetary Basis) and Actual

General Fund

For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Cash Receipts and Other Financing Sources	$ 8,748,247	$ 8,748,247	$ 9,131,363	$ 383,116
Total Cash Disbursements and Other Financing Uses	10,698,235	10,716,356	8,561,656	2,154,700
Net Change in Fund Balance	(1,949,988)	(1,968,109)	569,707	2,537,816
Fund Balance at Beginning of Year	2,505,945	2,505,945	2,505,945	-
Prior Year Encumbrances Appropriated	473,379	473,379	473,379	-
Fund Balance at End of Year	$ 1,029,336	$ 1,011,215	$ 3,549,031	$ 2,537,816

See accompanying notes to the basic financial statements

Bright Local School District

Statement of Fiduciary Net Position - Modified Cash Basis

Fiduciary Funds

June 30, 2018

	Agency
Assets	
Equity in Pooled Cash and Cash Equivalents	$14,978
Net Position	
Unrestricted	$14,978

See accompanying notes to the basic financial statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1968. The School District serves an area of 120 square miles. It is located in Highland County, including all of the Village of Mowrystown, and portions of surrounding townships. The Board of Education controls the School District's two instructional support facilities staffed by 25 non-certified employees, 49 teaching personnel and 13 administrative employees providing education to 685 students.

Reporting Entity

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

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

The School District participates in five organizations, two of which are defined as jointly governed organizations, two as purchasing pools and one as a public entity shared risk and insurance purchasing pool. These organizations are the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), the Metropolitan Educational Technology Association (META), the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Southwestern Ohio Educational Purchasing Council, and the Brown County School Benefits Consortium. These organizations are presented in Notes 14, 15, and 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The Statement of Net Position presents the cash balance, investments, capital assets, and debt of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares disbursements with program receipts for each function 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. 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 modified 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 into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

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

> *General Fund* - The General Fund is the operating fund of the School District and is used to account for all financial resources except those accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> *Debt Service Fund* - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund, which accounts for 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 modified cash basis of accounting except for modifications described in note 2E and 2F. 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. Any such modifications made by the School District are described in the appropriate section in this note.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements. The School District holds money in a sinking fund to be used for payment of the debt issued to finance the energy conservation remodeling project. The monies are presented as “Investments with Escrow Agents” on the financial statements.

During fiscal year 2018, the School District’s investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), a Term Certificate of Deposit, Commercial Paper, and a Money Market Fund.

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to $32,190, the Debt Service Fund received $4,051, and All Other Governmental Funds received $189.

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

E. Capital Assets

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description	Estimated Lives
Land Improvements	5 - 15 years
Buildings and Building Improvements	10 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	3 - 15 years

F. Long-Term Obligations

Long-term debt obligations are reported in the government-wide financial statements. The School District reported a liability for general obligation bonds, Energy Conservation Improvement Bonds, and capital leases.

G. Interfund Transactions

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. Advances between governmental activities are eliminated in the statement of activities.

H. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in the proprietary fund. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and State grants restricted to disbursements for specified purposes.

The School District applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fund Balance

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District 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 fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies and authorized purchase commitments by the School District 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 balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

L. Estimates

The modified cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation); accordingly, actual results could differ from those estimates.

M. 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 modified cash basis of accounting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Budgetary Process

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

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

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

O. Unamortized Bond Issuance Costs/Bond Premium and Discount

The School District's financial statements are prepared on the modified cash basis of accounting.

On the government-wide financial statements, bond issuance costs are recorded as disbursements on the statement of activities. Bond premiums are recorded as a receipt on the statement of activities.

Bond issuance costs and bond premiums are recognized as disbursements/other financing source on the statement of cash receipts, disbursements and changes in fund balance.

P. Pensions and Other Post Employment Benefits (OPEB)

For purposes of measuring the net pension liability and the net OPEB 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.

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 (Budgetary Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are: outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis) and funds treated as General Fund equivalents on the modified cash basis that are not included on the budget basis.

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

Net Change in Fund Balance
General Fund

Modified Cash Basis	$616,131
Perspective Difference:	
Activity of Fund Reclassified for	
Modified Cash Basis Reporting Purposes	(121)
Encumbrances	(46,303)
Budget Basis	$569,707

NOTE 4 – COMPLIANCE

Ohio Administrative Code, Section 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. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

NOTE 5 – FUND BALANCES

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

Fund Balances	General	Debt Service	All Other Governmental Funds	Total
Restricted for				
Debt Payments	$0	$451,160	$0	$451,160
Food Service Operations	0	0	29,692	29,692
Other Purposes	0	0	15,392	15,392
Classroom Facilities	0	0	158,982	158,982
District Managed Activity	0	0	13,714	13,714
Total Restricted	0	451,160	217,780	668,940
Assigned to				
FY19 Appropriations in Excess of Estimated Receipts	112,224	0	0	112,224
Other Purposes	62,949	0	0	62,949
Total Assigned	175,173	0	0	175,173
Unassigned	3,431,213	0	0	3,431,213
Total Fund Balances	$3,606,386	$451,160	$217,780	$4,275,326

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or 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;

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

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

5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

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

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

8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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 qualified trustee 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 School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $1,047,728 of the School District's bank balance of $1,780,593 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The School District does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

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

At June 30, 2018, the financial institution still maintained its own 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 the deposits being secured.

Investments At June 30, 2018, the School District had the following investments:

Investment Type	Cost	Fair Value	Maturity Less Than One Year	% of Total
Commercial Paper	$996,798	$999,565	$996,798	37.7%
Money Market Fund	3,946	3,946	3,946	0.2%
STAR Ohio	1,641,785	1,641,785	1,641,785	62.1%
Total	$2,642,529	$2,645,296	$2,642,529	100.0%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2018. As discussed further in Note 2D, STAR Ohio is reported at its share price. Commercial Paper investments are Level 2 inputs. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the School District's investment policy, the School District manages it exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk. Credit risk is the risk that an issue or other counterparty to an investment will not fulfill its obligations. The School District's policy places limitations on the types of investments the School District may invest in. The School District's policy authorizes investment in allowable securities as outlined in Ohio Revised Code Section 135. The School District's investments in commercial paper were rated A-1/A-1+ by Standard & Poor's. The money market funds were unrated. STAROhio was rated AAAm by Standard & Poor's.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

NOTE 7 - PROPERTY TAXES

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

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

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

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

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

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$92,516,910	90.64%	$94,191,413	90.19%
Public Utility Personal	9,549,820	9.36%	10,244,287	9.81%
Total Assessed Value	$102,066,730	100.00%	$104,435,700	100.00%
Tax rate per $1,000 of assessed valuation	$26.20		$26.20	

NOTE 8 - CAPITAL ASSETS

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

	Balance at 6/30/17	Additions	Deductions	Balance at 6/30/18
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$192,775	$20,883	$0	$213,658
Total Capital Assets Not Being Depreciated	192,775	20,883	0	213,658
Capital Assets Being Depreciated:				
Land Improvements	843,923	0	0	843,923
Buildings and Building Improvements	19,644,591	180,087	0	19,824,678
Furniture, Fixtures and Equipment	1,854,029	0	(6,500)	1,847,529
Vehicles	1,307,855	248,142	(238,888)	1,317,109
Total Capital Assets Being Depreciated	23,650,398	428,229	(245,388)	23,833,239
Less Accumulated Depreciation:				
Land Improvements	(803,204)	(7,958)	0	(811,162)
Buildings and Building Improvements	(8,482,112)	(454,535)	0	(8,936,647)
Furniture, Fixtures and Equipment	(1,427,020)	(62,259)	4,929	(1,484,350)
Vehicles	(939,703)	(82,277)	238,888	(783,092)
Total Accumulated Depreciation	(11,652,039)	(607,029)	243,817	(12,015,251)
Total Capital Assets Being Depreciated, Net	11,998,359	(178,800)	(1,571)	11,817,988
Governmental Activties Capital Assets, Net	$12,191,134	($157,917)	($1,571)	$12,031,646

Depreciation was charged to governmental functions as follows:

Instruction:	
Regular	$479,908
Special	719
Vocational	895
Support Services:	
Pupils	247
Instructional Staff	659
Administration	343
Operation and Maintenance of Plant	16,819
Pupil Transportation	91,335
Operation of Non-Instructional Services	12,348
Extracurricular Activities	3,756
Total Depreciation Expense	$607,029

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with the Argonaut Insurance Company for general liability, property, and fleet insurance.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been any significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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 participants is calculated as one experience and a common premium rate is applied to all participants 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. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Comp Management Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - 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.

The 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.

Since the School District is using the modified cash basis of accounting, there is no accrued pension liability reported in the accompanying financial statements.

NOTE 10 - 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, 13.5% was designated to pension, death benefits, and Medicare B. There was 0.5% allocated to the Health Care Fund for fiscal year 2018.

The School District's contractually required contribution to SERS was $119,720 for fiscal year 2018.

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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS) (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 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 years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until Aug. 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS Ohio was $437,917 for fiscal year 2018.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liability

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability - Current Year	0.0274750%	0.02790403%	
Proportionate Share of the Net Pension Liability - Prior Year	0.0289005%	0.02812468%	
Change in Proportionate Share	-0.0014255%	-0.00022065%	
Proportion of the Net Pension Liability	$1,641,571	$6,628,662	$8,270,233

Actuarial Assumptions - SERS

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

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

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

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (Continued)

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from 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 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 Estate	15.00	5.00
Multi-Asset Strategy	10.00	3.00
Total	100.00 %	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$2,278,073	$1,641,571	$1,108,370

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017
Payroll Increases	3.00%

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

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

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

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's 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% was applied to all periods of projected benefit payments 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	$9,501,962	$6,628,662	$4,208,338

Social Security System

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

NOTE 11 - POSTEMPLOYMENT BENEFITS

Net Other Post Employment Benefits (OPEB) Liability

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans.

The net OPEB liability is the portion of the actuarial present value of projected benefit payments related to past periods. The net OPEB liability for the employers is based on the allocation percentages from the Schedules of Employer Allocations for both SERS and STRS. GASB 75 replaces GASB 45, and represents a significant departure from the requirements of the prior statement. GASB 45 was issued as a "funding friendly" statement that required post-employment benefit plans other than pension plans (OPEB) to report items consistent with the results of the System's actuarial valuations, as long as those valuations met certain parameters. GASB 75 basically separates accounting from funding by creating disclosure and reporting requirements that may or may not be consistent with the basis used for funding the System. Two major changes in GASB 75 are the requirements to determine the Net OPEB Liability (NOL) and recognize an OPEB Expense (OE) in the financial statements of the participating employer.

The District reports on the cash basis of accounting, so there is no net OPEB liability recorded in the accompanying financial statements.

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers a postemployment benefit plan.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2018, 2017, and 2016, the health care allocations were 0.5 percent, 0 percent, and 0 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. 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 minimum compensation level was established at $23,700. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2018, 2017, and 2016 fiscal years equaled $23,494, $15,931, and $15,732, respectively; which is equal to the required amounts for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care Plan are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2018, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2018, 2017, and 2016, were $0, which equaled the required contributions each year.

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

Net Other Post Employment Benefit (OPEB) Liability

The net OPEB liability is the portion of the actuarial present value of projected benefit payments related to past periods. The net OPEB liability for the employers is based on the allocation percentages from the Schedules of Employer Allocations for both SERS and STRS.

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability - Current Year	0.0280230%	0.02790403%	
Proportion of the Net OPEB Liability	$752,064	$1,088,712	$1,840,776

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

Valuation Date	June 30, 2017
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015
Investment Rate of Return	7.50 percent, net of investment expenses, including inflation
Price Inflation	3.00%
Salary increases, including price inflation	3.50% - 18.20%
Municipal Bond Index Rate	
Prior Measurement Date	2.92%
Measurement Date	3.56%
Year FNP is projected to be depleted	2026
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Prior Measurement Date	2.98%
Measurement Date	3.63%
Medical Trend Assumption	
Pre-Medicare	7.50% - 5.00%
Medicare	5.50% - 5.00%

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions – SERS (continued)

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

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%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63%. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. 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% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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%, 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.

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions – SERS (continued)

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%).

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$908,213	$752,064	$628,354

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 Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's proportionate share of the net OPEB liability	$610,243	$752,064	$939,765

Assumption Changes Since the Prior Measurement Date – The discount rate was changed from 2.98% to 3.63%.

Actuarial Assumptions - STRS

The net OPEB liability of $3,901,631,000 for STRS as a whole was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an independent actuarial valuation as of that date. Each respective employer allocation percentage of the net OPEB liability is based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating STRS Ohio employers. Employer contributions were determined based on the 14% employer rate and total member contributions from employer payroll reports for the year ended June 30, 2017.

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended Discount Rate of Return	4.13%
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Health Care Cost Trends	6% - 11% initial, 4.50% ultimate
Cost-of-living Adjustments	0% effective July 1, 2017

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

Experience Studies — 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.

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions – STRS (continued)

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

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

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

Discount Rate — The discount rate used to measure the total OPEB liability was 4.13% 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. Therefore, a blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

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

	1% Decrease in Discount Rate (3.13%)	Current Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
School District's proportionate share of the net OPEB liability	$1,461,579	$1,088,712	$794,026

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
School District's proportionate share of the net OPEB liability	$756,391	$1,088,712	$1,526,086

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions – STRS (continued)

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from 3.26% to 4.13% 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% to 7.45%. 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.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% 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.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Up to two years of accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 182 days for non-certified union members, 200 days for teachers, and 240 days for administrators. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum payment of 55 days for teachers. Teachers who are at the 50 day maximum for severance, earn an extra five days of severance pay. Upon retirement, payment is made for one-half of their accrued, but unused sick leave credit to a maximum payment of 60 days for non-certified union members and administrative employees.

B. Life and Accident Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through OneAmerica – American United Life Insurance Company.

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/17	Additions	Deductions	Amount Outstanding 6/30/18	Amounts Due in One Year
2010 School Improvement Refunding Bonds					
Term Bonds 2.9% - 3.7%	$175,000	$0	$0	$175,000	$55,000
Capital Appreciation Bonds - 3.7%	15,000	0	15,000	0	0
2012 Energy Conservation Improvement Bonds - 5.2%	378,000	0	0	378,000	0
2017 Energy Conservation Improvement Bonds - 7.97%	514,767	0	32,768	481,999	33,341
Capital Leases	157,879	219,300	67,166	310,013	62,801
Total Governmental Long-Term Liabilities	$1,240,646	$219,300	$114,934	$1,345,012	$151,142

In April 2010, the School District issued $325,000 in school improvement bonds for the purpose of refunding a portion of the 1998 School Improvement Bonds. $310,000 were term bonds and $15,000 was a capital appreciation bond. This was a current refunding. The bonds were issued for a 10 year period, with final maturity in December 2020. The bonds were issued at a premium of $18,589 and had related issuance costs of $10,199. The refunding resulted in a difference of $8,390 between the net carrying amount of the debt and the acquisition price. The current year premium reduction was $1,663 leaving an outstanding balance of $4,988. The current year deferred gain on the refunding reduction was $751 leaving an outstanding balance of $2,248. The capital appreciation bonds matured in fiscal year 2018. The maturity amount of the capital appreciation bonds was $55,000. For fiscal year 2018, the capital appreciation bonds were accreted $4,315 resulting in a balance of $40,000 for accretion on capital appreciation bonds, which matured and was paid during the year. The School District financial statements are presented on a modified cash basis and therefore the premium, gain on refunding, and accretion are not recorded within the accompanying financial statements. The bonds are being paid from the Debt Service Fund.

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Energy Conservation Bonds – In July 2011, the School District issued $378,000 in Energy Conservation Bonds for the purpose of installations, modifications of installations or remodeling that would significantly reduce energy consumption in current School District buildings. The bonds were issued at 5.2% interest rate and have a final maturity date of December 1, 2025. The bonds are being paid from the Debt Service Fund with transfers from the General Fund.

As part of the agreement, US Bank National Association deposited $378,000 in the School District's name, with an escrow agent for the renovations to the buildings. The School District makes annual interest payments to US Bank and annual sinking fund payments to the escrow agent. The escrow agent is investing the School District's deposits and has guaranteed a return on the investments to meet the School District's bond liability. US Bank will be repaid in fiscal year 2026 when the $378,000 bond payment is due. There are mandatory deposits required to be made with the escrow agent in order to ensure that the bond is paid timely. The School District is current on the deposits.

Energy Conservation Bonds – In July 2016, the School District issued $525,986 in Energy Conservation Bonds for the purpose of conservation measures. The bonds were issued at 7.97% interest rate and have a final maturity date of December 1, 2031. The bonds are being paid from the Debt Service Fund with transfers from the General Fund.

The School District's overall legal debt margin was $8,364,214 with an unvoted debt margin of $104,436 at June 30, 2018.

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

	2010 School Improvement Bonds	
Fiscal year Ending June 30,	Term Bonds Principal	Term Bonds Interest
2019	$55,000	$6,475
2020	60,000	4,440
2021	60,000	2,220
Total	$175,000	$13,135

	2012 Energy Conservation Bonds			2017 Energy Conservation Bonds	
Fiscal Year Ending June 30,	Principal	Interest	Sinking Fund Payments	Principal	Interest
2019	$0	$19,656	$25,200	$33,341	$8,143
2020	0	19,656	25,200	33,925	7,555
2021	0	19,656	25,200	34,518	6,956
2022	0	19,656	25,200	35,122	6,347
2023	0	19,656	25,200	35,737	5,727
2024-2028	378,000	58,968	75,600	188,289	18,946
2029-2032	0	0	0	121,067	3,201
	$ 378,000	$ 157,248	$ 201,600	$ 481,999	$ 56,875

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association Regional Council of Governments

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG $0 for services provided during the fiscal year.

Metropolitan Educational Technology Association

META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META $107,742 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

NOTE 15 - PURCHASING POOLS

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

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as 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.

NOTE 15 - PURCHASING POOLS (continued)

B. Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (EPC). The EPC is a council of governments with over 40 years of shared services experience, pooling the purchasing power of over 180 Ohio School Districts. Member districts benefit from the EPC's ability to aggregate volumes on goods and services such as health insurance; liability, fleet and property insurance; utilities; group rating; as well as food; classroom and office supplies; furniture; medical supplies and much more.

NOTE 16 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL

Brown County School Benefits Consortium

The Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright and Lynchburg-Clay) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The School District pays premiums to the consortium based on employee membership. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 9231-B Hamer Road, Georgetown, Ohio 45121.

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	Capital Acquisition
Set-aside Balance as of June 30, 2017	$ -
Current Year Set-aside Requirement	120,992
Current Year Offsets	(31,519)
Current Year Qualifying Disbursements	(89,473)
Totals	$ -
Balance Carried Forward to Fiscal Year 2018	$ -
Set-aside Balance as of June 30, 2018	$ -

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for capital acquisition, this extra amount may not be used to reduce the set-aside requirements of future fiscal years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the capital acquisition set-aside.

NOTE 18 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

The School District is not currently party to legal proceedings.

C. Foundation

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

NOTE 19 - INTERFUND

A. Interfund Transfers

Transfers made during the year ended June 30, 2018, were as follows:

Funds:	Transfer To:	Transfer From:
Major		
General Fund	$ -	$ 156,177
Debt Service Fund	156,177	-
Total Major Funds	156,177	156,177
Total	$ 156,177	$ 156,177

The transfer from the General Fund was made to move unrestricted balances to support debt service payments.

NOTE 19 – INTERFUND (continued)

B. Interfund Advances

The School District made the following advances during fiscal year 2018:

Fund:	Advance To:	Advance From:
Major		
General Fund	$ 38,613	$ 14,675
Non-Major Funds	14,675	38,613
Total All Funds	$ 53,288	$ 53,288

Other Governmental Funds received advances from the General Fund in anticipation of intergovernmental receipts. Advances to the General Fund were for repayment of prior and current year advances. These advances are to be repaid during the 2019 fiscal year.

NOTE 20 – CAPITAL LEASES - LESSEE DISCLOSURE

During the fiscal year, the School District entered into capital leases for the purpose of acquiring a van and 2 buses. During the previous fiscal year, the School District entered into a capital lease for the purpose of energy conservation capital improvements. The capital assets under these leases have been capitalized in the amount of $380,620. The School District paid $67,166 in principal payments during 2018.

In May 2018, the School District entered into a capital lease for the purpose of a chiller/boiler replacement. The project did not begin until fiscal year 2019 with the work to be completed in December 2018. Therefore, a liability was not recorded within the current year financial statements.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30,	Total Payments
2019	$ 69,929
2020	69,929
2021	69,930
2022	12,813
2023	12,813
2024-2028	64,064
2028-2031	38,437
Total	337,915
Less: Amount Representing Interest	(27,902)
Present Value of Net Minumum Lease Payments	$ 310,013

NOTE 21 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*, and GASB Statement No. 85, *Omnibus 2017.*

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of the School District as the School District reports on the modified cash basis of accounting and the net OPEB is not recorded in the accompanying financial statements; however, certain additional disclosures have been made in the notes to the basic financial statements.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement No. 82 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the School District.

NOTE 22 - SIGNIFICANT COMMITMENTS

Contract Commitments

As of June 30, 2018, the School District's contractual purchase commitments are as follows:

Project	Vendor	Contract Amount	Amount Expended	Balance at 06/30/18
Chiller/Boiler Replacement	Energy Optimizers	$1,007,915	$0	$1,007,915

BRIGHT LOCAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Program Title	Pass-through Entity Number	Federal CFDA Number		Federal Revenues	Federal Expenditures
U.S. Department of Agriculture:					
(Passed through Ohio Department of Education)					
Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	2018	10.555	$	23,883	23,883
Cash Assistance					
School Breakfast Program	2018	10.553		68,825	68,825
National School Lunch Program	2018	10.555		173,536	173,536
Cash Assistance Subtotal				242,361	242,361
Nutrition Cluster Total				266,244	266,244
Total U.S. Department of Agriculture				266,244	266,244
U.S. Department of Education:					
(Passed through Ohio Department of Education)					
Title I Grants to Local Educational Agencies (2017)	S010A160035	84.010		73,703	54,379
Title I Grants to Local Educational Agencies (2018)	S010A180035	84.010		245,716	258,076
				319,419	312,455
Special Education Cluster:					
Special Education - Preschool Grants (2018)	H173A180119	84.173		5,105	5,685
Special Education - Grants to States (2017)	H027A160111	84.027		11,028	5,106
Special Education - Grants to States (2018)	H027A180111	84.027		119,742	121,477
Special Education Cluster Total				135,875	132,268
Rural Education	S358B180035	84.358		14,642	14,642
Supporting Effective Instruction State Grant (2017)	S367A160034	84.367		3,605	-
Supporting Effective Instruction State Grant (2018)	S367A180034	84.367		37,941	37,941
				41,546	37,941
Student Support and Academic Enrichment Program	S424A180036	84.424		8,868	8,868
Total U.S. Department of Education				520,350	506,174
Total Federal Awards			$	786,594	772,418

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed.

NOTE D - NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

This page intentionally left blank.

CLARK SCHAEFER HACKETT
CPAs & Advisors

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Bright Local School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bright Local School District (the "School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 11, 2018, wherein we noted the School District follows a comprehensive basis of accounting other than generally accepted accounting principles and the School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* as it relates to disclosures.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding 2018-001.

School District's Response to the Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 11, 2018

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Bright Local School District:

Report on Compliance for Each Major Federal Program

We have audited Bright Local School District's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 11, 2018

BRIGHT LOCAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I – Summary of Auditors' Results

<u>Financial Statements</u>

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	yes

<u>Federal Awards</u>

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	none
Identification of major programs:	
Title I Grants to Local Educational Agencies – CFDA 84.010	
Dollar threshold to distinguish between Type A and Type B Programs:	$750,000
Auditee qualified as low-risk auditee?	no

BRIGHT LOCAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section II – Financial Statement Findings

Finding 2018-001 – Material Noncompliance

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

Ohio Administrative Code Section 117-02-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, the School District prepared its financial statements in accordance with the modified cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This presentation differs GAAP. There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. This School District can be fined and various other administrative remedies may be taken against the School District.
.
Recommendation – We recommend that School District implement policies and procedures to ensure that the School District prepares its annual financial reporting in accordance with generally accepted accounting principles.

Management response: *Management concurs with the finding.*

Section III – Federal Award Findings and Questions Costs

None

BRIGHT LOCAL SCHOOL DISTRICT
Schedule of Prior Audit Findings
Year Ended June 30, 2018

Finding 2017-001 – Material Noncompliance

Prior Year Condition: The School District did not prepare its annual financial report in accordance with generally accepted accounting principles

Status: Repeated as Finding 2018-001.

Dave Yost • Auditor of State

BRIGHT LOCAL SCHOOL DISTRICT

HIGHLAND 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
JANUARY 3, 2019