



Dave Yost • Auditor of State

**SEBRING LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2018**

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MAHONING COUNTY
JUNE 30, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Sebring Local School District
Mahoning County
510 North 14th Street
Sebring, Ohio 44672

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

May 6, 2019

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The Management's Discussion and Analysis of the Sebring Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position increased \$3,269,759 from fiscal year 2017, due to decreases in the net pension and OPEB liabilities. The effects of GASB 68 and 75 greatly distort the comparative analysis to follow in this MD&A due to the significant reduction to total expenses on a full accrual basis.
- General revenues accounted for \$7,796,394 in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,264,627 or 14 percent of total revenues of \$9,061,021.
- The District had \$5,791,262 in expenses related to governmental activities; only \$1,264,627 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,796,394 were adequate to provide for these programs, as evidenced by the increase in net position.
- The District's major governmental funds are the general fund and the bond retirement debt service fund. The general fund balance increased \$805,840 during fiscal year 2018. Cash and cash equivalents within the general fund increased \$548,632 from the prior fiscal year, due to increased revenues.
- The bond retirement debt service fund balance decreased \$1,102 to \$608,733, or less than 1 percent.
- For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB), resulting in the restatement of beginning net position from the previously reported \$3,057,423, to \$1,137,019.
- The District's total net pension liability decreased to \$6,842,334 from \$10,162,353 and the OPEB liability decreased to \$1,567,459, from \$1,934,507, a combined decrease of over \$3.6 million. For more information on this liability see Notes 14 and 15 to the basic financial statements

Using these Basic Financial Statements

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

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

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Mahoning County, Ohio

Management's Discussion and Analysis
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Unaudited

funds presented in total in one column. In the case of the District, the general fund and the bond retirement debt service fund are the most significant funds of the District, and are the only governmental funds reported as major.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, the District has only one kind of activity:

- Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Due to the continuing subsidies that go to the lunchroom fund from the general fund, the lunchroom operation is also being considered as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund and the bond retirement debt service fund.

Governmental Funds

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

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Unaudited

Reporting the District's Fiduciary Responsibilities

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds are a private purpose trust fund and an agency fund.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for fiscal year 2018 and 2017.

Net Position (Table 1)			
Governmental Activities			
	2018	(Restated) 2017	Change
Assets			
Current and Other Assets	\$7,964,478	\$7,006,213	\$958,265
Capital Assets, Net	6,981,349	7,451,930	(470,581)
<i>Total Assets</i>	<u>14,945,827</u>	<u>14,458,143</u>	<u>487,684</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	23,474	30,344	(6,870)
Pension	2,194,885	2,107,716	87,169
OPEB	63,874	14,103	49,771
<i>Total Deferred Outflows of Resources</i>	<u>2,282,233</u>	<u>2,152,163</u>	<u>130,070</u>
Liabilities			
Current Liabilities	895,349	706,884	188,465
Long-Term Liabilities			
Due within One Year	137,106	131,816	5,290
Due in More than One Year - Pension	6,842,334	10,162,353	(3,320,019)
Due in More than One Year - OPEB	1,567,459	1,934,507	(367,048)
Due in More than One Year - Other	771,648	884,661	(113,013)
<i>Total Liabilities</i>	<u>10,213,896</u>	<u>13,820,221</u>	<u>(3,606,325)</u>
Deferred Inflows of Resources			
Property Taxes	1,385,007	1,311,755	73,252
Pension	977,573	341,311	636,262
OPEB	244,806	0	244,806
<i>Total Deferred Inflows of Resources</i>	<u>2,607,386</u>	<u>1,653,066</u>	<u>954,320</u>
Net Position			
Net Investment in Capital Assets	6,546,324	6,991,409	(445,085)
Restricted	847,160	890,089	(42,929)
Unrestricted (Deficit)	(2,986,706)	(6,744,479)	3,757,773
<i>Total Net Position</i>	<u>\$4,406,778</u>	<u>\$1,137,019</u>	<u>\$3,269,759</u>

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

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

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

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

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

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

Sebring Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited*

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

The District's net investment in capital assets at June 30, 2018, was \$6,546,324. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$858,902, represents resources that are subject to external restrictions on how they may be used.

The table below shows the change in net position for fiscal year 2018 and 2017.

Table 2
Change in Net Position
Governmental Activities

	2018	(Restated) 2017	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$634,052	\$535,728	\$98,324
Operating Grants and Contributions	630,575	673,503	(42,928)
<i>Total Program Revenues</i>	<u>1,264,627</u>	<u>1,209,231</u>	<u>55,396</u>
General Revenues			
Property Taxes	1,360,329	1,280,368	79,961
Income Tax	567,731	501,517	66,214
Intergovernmental	5,785,529	5,926,116	(140,587)
Investment Earnings	36,755	17,222	19,533
Miscellaneous	46,050	56,118	(10,068)
<i>Total General Revenues</i>	<u>7,796,394</u>	<u>7,781,341</u>	<u>15,053</u>
<i>Total Revenues</i>	<u>9,061,021</u>	<u>8,990,572</u>	<u>70,449</u>

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 2 (continued)
Change in Net Position
Governmental Activities

	2018	(Restated) 2017	Increase (Decrease)
<i>Program Expenses</i>			
Current:			
Instruction	3,586,279	5,332,611	(1,746,332)
Support Services	1,613,900	2,356,795	(742,895)
Operation of Non-Instructional/Food Services	358,740	381,586	(22,846)
Extracurricular Activities	210,056	246,683	(36,627)
Interest and Fiscal Charges	22,287	38,673	(16,386)
<i>Total Program Expenses</i>	5,791,262	8,356,348	(2,565,086)
<i>Change in Net Position</i>	3,269,759	634,224	2,635,535
Net Position Beginning of Year - Restated	1,137,019	N/A	
<i>Net Position End of Year</i>	\$4,406,778	\$1,137,019	\$3,269,759

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$14,103 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$158,589. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	\$5,791,262
Negative OPEB Expense under GASB 75	158,589
2018 Contractually Required Contributions	13,424
Adjusted 2018 Program Expenses	5,963,275
Total 2017 Program Expenses under GASB 45	8,356,348
Decrease in Program Expenses not Related to OPEB	(\$2,393,073)

Governmental Activities

Net Position of the District increased \$3,269,759 during fiscal year 2018. Total governmental expenses of \$5,791,262 were offset by program revenues \$1,264,627 and general revenues of \$7,796,394. The effects of GASB 68 and 75 greatly distort this comparative analysis due to the significant impact changes made to cost of living adjustments enacted by the state pension board had on the District's share of the total pension/OPEB liability.

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Management's Discussion and Analysis
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Unaudited

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

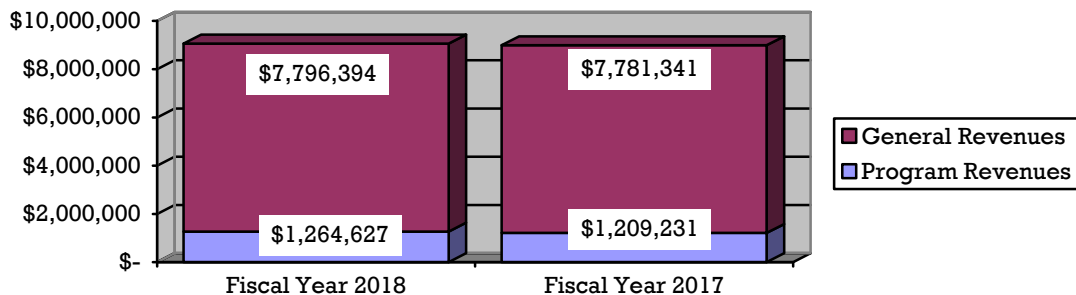
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program expenses				
Instruction	\$3,586,279	\$2,755,995	\$5,332,611	\$4,594,939
Support services	1,613,900	1,557,419	2,356,795	2,276,809
Operations of non-instructional and food services	358,740	38,139	381,596	51,677
Extracurricular activities	210,056	152,795	246,683	185,029
Interest and fiscal charges	22,287	22,287	38,673	38,673
Total expenses	\$5,791,262	\$4,526,635	\$8,356,358	\$7,147,127

The table above reflects how the District funds its programs through program revenues. Instructional services, support services, co-curricular activities, and interest charges rely heavily on general revenues, while non-instructional and food services were significantly funded by program revenues during the fiscal year. The large decrease in instructional and support services is the byproduct of GASB 68 and 75 as previously discussed. To gain a better understanding of operations, please refer to the fund analysis on the following pages.

The graph below presents the District's governmental activities revenue for fiscal year 2018 and 2017.

Governmental Activities - General and Program Revenues



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Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$5,371,080, an increase of \$741,006 from the previous fiscal year. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase (Decrease)
General	\$4,590,679	\$3,784,839	\$805,840
Bond Retirement	608,733	609,835	(1,102)
Other Governmental	171,668	235,400	(63,732)
Total	\$5,371,080	\$4,630,074	\$741,006

General Fund

During fiscal year 2018, the District's general fund balance increased by \$805,840. Revenues in the general fund increased from the prior fiscal year by over 1 percent, and expenditures also increased, by over 10 percent from the prior fiscal year. A slight increase in accrued wages and the related benefits from the prior fiscal year coupled with an overall increase in cash on hand is a large part of this increase to fund balance. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2018 Amount	2017 Amount	Percentage Change
<u>Revenues</u>			
Taxes (Property and Income)	\$1,732,297	\$1,634,939	6.0 %
Tuition and fees	560,800	454,577	23.4 %
Earnings on investments	36,755	17,222	113.4 %
Intergovernmental	5,741,674	5,870,151	(2.2) %
Other revenues	53,425	59,975	(10.9) %
Total	8,124,951	8,036,864	1.1 %
<u>Expenditures</u>			
Instruction	4,655,883	4,280,462	8.8 %
Support services	2,391,912	2,028,563	17.9 %
Extracurricular activities	199,711	178,320	12.0 %
Capital outlay	0	91,830	n/a %
Total	\$7,247,506	\$6,579,175	10.2 %

Bond Retirement Fund

The bond retirement fund had \$118,731 in revenues and \$119,833 in expenditures, resulting in a decrease to fund balance of \$1,102 or less than 1 percent from the previous fiscal year.

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Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the District amended its general fund budget as necessary. For the general fund, original and final budgeted revenue and other financing sources were \$8,016,470 and \$8,292,202, respectively. The actual budget basis revenues and other financing sources for 2018 totaled \$8,137,183, which was \$155,019 less than the final budget amount.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$6,775,776 were increased in the final appropriation to \$7,935,066. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled \$7,596,660, which was \$820,884 more than the original appropriation and \$338,406 less than the final budget appropriations. The original and final appropriations were based on conservative estimates at the beginning of the fiscal year based upon anticipated expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2018, the District had \$6,981,349 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, library books and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2018 balances compared to 2017:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		
	2018	2017	Increase (Decrease)
Land	\$219,600	\$219,600	\$0
Land improvements	101,015	144,531	(43,516)
Building and improvements	6,329,153	6,809,787	(480,634)
Furniture, fixtures and equipment	170,812	154,049	16,763
Textbooks	8,079	14,630	(6,551)
Vehicles	152,690	109,333	43,357
Total	\$6,981,349	\$7,451,930	(\$470,581)

Total additions to capital assets for fiscal year 2018 were \$131,739 and net disposals were \$0. The overall decrease in capital assets of \$470,581 is due to annual depreciation of \$602,320 exceeding current year additions.

See Note 10 to the basic financial statements for additional information on the District's capital assets.

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For the Fiscal Year Ended June 30, 2018
Unaudited

Long-Term Obligations

In fiscal year 2010, the District issued refunding Bonds in the amount of \$999,999 which included a premium of \$113,565. The advance refunding resulted in a net present value benefit of \$237,132 and \$304,685 in cash flow savings for the District. The refunding Bonds will be repaid over 12 years and the District made its scheduled principal payment of \$100,000 on the bonds during the fiscal year. A balance of \$425,000 remained on the bonds at June 30, 2018, with \$100,000 being due next fiscal year.

Table 5
Outstanding at Fiscal Year End

	2018	(Restated) 2017
General Obligation Bonds	\$425,000	\$517,229
Unamortized Premium on Bonds	33,499	43,303
Compensated Absences	450,255	455,945
Net Pension Liability	6,842,334	10,162,353
Net OPEB Liability	1,567,459	1,934,507
<i>Total</i>	<u>\$9,318,547</u>	<u>\$13,113,337</u>

See Note 16 to the basic financial statements for additional information on the District's debt administration.

Prepaid Asset

The Mahoning County Educational Service Center (ESC) and Sebring Local Schools contract for certain services throughout the school year. Traditionally payment for these services are taken out of District's monthly foundation and awarded to the ESC in their foundation. After looking at the future and discussing things with the Administrative team both at the ESC and our District, we decided to pre-pay for services starting in fiscal year 2016. Therefore, the foundation agreement between Sebring and the ESC was increased by \$617,349 in fiscal year 2018. The District will continue to keep normal annual foundation agreements with the ESC in future years. This way, should the District come into a tight fiscal situation, we will always be able to receive the services that are required. The ESC will issue statements that monitor usage and balances to the District on a quarterly basis. Because of this pre-payment, the District will maintain a pre-paid asset. A billing cycle change had been noted in the 5 year forecasts during fiscal year 2016.

Current Financial Related Activities

The District's fiscal health depends on an efficient budgeting process and the utilization of programs that reduce costs, such as consortiums, and diligent cost analysis.

Although House Bill 66, as amended by House Bill 153, is reimbursing the District on the loss of Personal Property Tax Revenue, the potential growth in this tax revenue is non-existent. House Bill 66, as amended by House Bill 153, greatly reduces and eventually eliminates Personal Property Tax and by 2018, the annual revenue stream from personal property taxes was eliminated from the revenue sources of the District. For Sebring, the reimbursement for Personal Property tax stopped in fiscal year 2016. The State of Ohio has declared that the Commercial Activity Tax will be allocated to school districts at 35 percent starting in fiscal year 2013. Previously, the CAT tax was funding the hold-harmless reimbursement payments at 70 percent.

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The State added Capacity Aide in the budget for schools for fiscal year 2016, 2017 and 2018. This money was added to aid schools that do not have the ability to generate much income based on property valuation. The three year average median for schools across the State is \$248,482 collected per mill of property tax. The three year average for Sebring is \$45,000 collected per mill. This brought in an additional \$1,228,243 to the District in fiscal year 2018. Capacity Aide is only in the State's current budget for fiscal 2016, 2017 and 2018, and there is no guarantee that Capacity Aide will continue to be funded after fiscal 2018.

The future of State Funding may greatly affect the financial horizon of the District. The State of Ohio was found by the Ohio Supreme Court to be operating an unconstitutional education system in regards to the funding formula. Currently an initiative is actively seeking a restructuring of the State Funding formula. However, the future is uncertain and there may be a risk of a redistribution of tax revenues for school districts in Ohio. This would be catastrophic to the District since tax revenues are a primary source of revenue.

The District receives approximately 76 percent of its revenue from the State of Ohio and is therefore at the State's mercy regarding funding. State revenues have kept pace with inflation to date, but the future of State revenue increases is uncertain, to say the least.

The District passed a 1 percent income tax levy on the November 2006 ballot to help stabilize its financial condition. This levy has been effective in bringing financial stability that could last well into the future. This levy was renewed by voters on the November 2016 ballot and is now set to expire at the end of 2021.

Contacting the District's Financial Management

This financial report is designed to provide our administration, Board of Education, community, taxpayers, creditors and investors with a general overview of the District's finances and to show the District's accountability for revenue and expenditures. If you have questions about this report or need additional financial information contact the Treasurer, Sebring Local District, 510 North 14th Street, Sebring, Ohio, 44672-1400.

Sebring Local School District

Mahoning County, Ohio

*Statement of Net Position
June 30, 2018*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,392,558
Accrued Interest Receivable	819
Accounts Receivable	2,047
Intergovernmental Receivable	42,341
Income Taxes Receivable	215,740
Property Taxes Receivable	1,680,412
Inventory Held for Resale	11,359
Materials and Supplies Inventory	1,853
Prepaid Items	617,349
Nondepreciable Capital Assets	219,600
Depreciable Capital Assets, Net	6,761,749
<i>Total Assets</i>	<u>14,945,827</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	23,474
Pension	2,194,885
Other Postemployment Benefits	63,874
<i>Total Deferred Outflows of Resources</i>	<u>2,282,233</u>
Liabilities	
Accounts Payable	82,627
Accrued Wages and Benefits Payable	633,384
Intergovernmental Payable	177,884
Accrued Interest Payable	1,454
Long-Term Liabilities:	
Due Within One Year	137,106
Due In More Than One Year:	
Net Pension Liability	6,842,334
Other Postemployment Benefits Liability	1,567,459
Other Amounts Due in More than One Year	771,648
<i>Total Liabilities</i>	<u>10,213,896</u>
Deferred Inflows of Resources	
Property Taxes	1,385,007
Pension	977,573
Other Postemployment Benefits	244,806
<i>Total Deferred Inflows of Resources</i>	<u>2,607,386</u>
Net Position	
Net Investment in Capital Assets	6,546,324
Restricted for:	
Capital Projects	147,797
Debt Service	629,468
Other Purposes	69,895
Unrestricted (Deficit)	(2,986,706)
<i>Total Net Position</i>	<u>\$4,406,778</u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$1,672,398	\$549,892	\$100	(\$1,122,406)
Special	948,115	8,803	269,384	(669,928)
Other	965,766	2,105	0	(963,661)
Support Services:				
Pupils	137,148	0	42,027	(95,121)
Instructional Staff	8,305	0	6,621	(1,684)
Board of Education	18,805	0	0	(18,805)
Administration	32,605	0	4,233	(28,372)
Fiscal	309,668	0	0	(309,668)
Business	207	0	0	(207)
Operation and Maintenance of Plant	960,097	0	0	(960,097)
Pupil Transportation	142,625	0	0	(142,625)
Central	4,440	0	3,600	(840)
Operation of Non-Instructional Services	358,740	18,056	302,545	(38,139)
Extracurricular Activities	210,056	55,196	2,065	(152,795)
Interest and Fiscal Charges	22,287	0	0	(22,287)
<i>Total Governmental Activities</i>	<u>\$5,791,262</u>	<u>\$634,052</u>	<u>\$630,575</u>	<u>(4,526,635)</u>
General Revenues				
Property Taxes Levied for:				
				1,148,257
				101,872
				80,399
				18,059
Income Taxes Levied for:				
				567,731
Grants and Entitlements not				
				5,797,271
				36,755
				46,050
<i>Total General Revenues</i>				<u>7,796,394</u>
Change in Net Position				3,269,759
<i>Net Position Beginning of Year - Restated (See Note 3)</i>				1,137,019
<i>Net Position End of Year</i>				<u>\$4,406,778</u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,491,879	\$607,318	\$293,361	\$5,392,558
Accrued Interest Receivable	819	0	0	819
Accounts Receivable	2,047	0	0	2,047
Interfund Receivable	15,947	0	0	15,947
Intergovernmental Receivable	0	0	42,341	42,341
Income Taxes Receivable	215,740	0	0	215,740
Property Taxes Receivable	1,426,802	123,529	130,081	1,680,412
Inventory Held for Resale	0	0	11,359	11,359
Materials and Supplies Inventory	0	0	1,853	1,853
Prepaid Items	617,349	0	0	617,349
<i>Total Assets</i>	<u>\$6,770,583</u>	<u>\$730,847</u>	<u>\$478,995</u>	<u>\$7,980,425</u>
Liabilities				
Accounts Payable	\$9,387	\$0	\$73,240	\$82,627
Accrued Wages and Benefits Payable	562,567	0	70,817	633,384
Intergovernmental Payable	159,156	0	18,728	177,884
Interfund Payable	0	0	15,947	15,947
<i>Total Liabilities</i>	<u>731,110</u>	<u>0</u>	<u>178,732</u>	<u>909,842</u>
Deferred Inflows of Resources				
Property Taxes	1,178,707	99,925	106,375	1,385,007
Unavailable Revenue - Property Taxes	231,796	22,189	22,220	276,205
Unavailable Revenue - Income Tax	38,291	0	0	38,291
<i>Total Deferred Inflows of Resources</i>	<u>1,448,794</u>	<u>122,114</u>	<u>128,595</u>	<u>1,699,503</u>
Fund Balances				
Nonspendable	617,349	0	1,853	619,202
Restricted	0	608,733	165,527	774,260
Committed	0	0	31,944	31,944
Assigned	14,364	0	0	14,364
Unassigned (Deficit)	3,958,966	0	(27,656)	3,931,310
<i>Total Fund Balances</i>	<u>4,590,679</u>	<u>608,733</u>	<u>171,668</u>	<u>5,371,080</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$6,770,583</u>	<u>\$730,847</u>	<u>\$478,995</u>	<u>\$7,980,425</u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
For the Fiscal Year Ended June 30, 2018*

Total Governmental Fund Balances	\$5,371,080
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***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.	6,981,349
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.

Property Taxes	276,205
Income Taxes	<u>38,291</u>

Total	314,496
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The net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Deferred Outflows - Pension	2,194,885
Deferred Inflows - Pension	(977,573)
Net Pension Liability	(6,842,334)
Deferred Outflows - OPEB	63,874
Deferred Inflows - OPEB	(244,806)
OPEB Liability	<u>(1,567,459)</u>

Total	(7,373,413)
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In the statement of activities, interest is accrued on outstanding general obligation bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(1,454)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(425,000)
Unamortized Premium	(33,499)
Deferred Charge on Refunding	23,474
Compensated Absences	<u>(450,255)</u>

Total	<u>(885,280)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$4,406,778</u></u>
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See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,169,867	\$103,912	\$100,455	\$1,374,234
Income Taxes	562,430	0	0	562,430
Tuition and Fees	560,800	0	0	560,800
Interest	36,755	0	0	36,755
Charges for Services	0	0	18,056	18,056
Extracurricular Activities	6,265	0	48,931	55,196
Contributions and Donations	2,400	0	2,065	4,465
Intergovernmental	5,741,674	14,819	691,000	6,447,493
Miscellaneous	44,760	0	1,290	46,050
<i>Total Revenues</i>	<u>8,124,951</u>	<u>118,731</u>	<u>861,797</u>	<u>9,105,479</u>
Expenditures				
Current:				
Instruction:				
Regular	2,533,234	0	0	2,533,234
Special	1,155,756	0	289,349	1,445,105
Other	966,893	0	0	966,893
Support Services:				
Pupils	129,409	0	41,110	170,519
Instructional Staff	27,669	0	10,021	37,690
Board of Education	26,922	0	0	26,922
Administration	862,519	0	1,947	864,466
Fiscal	338,774	2,383	2,566	343,723
Business	207	0	0	207
Operation and Maintenance of Plant	877,967	0	96,509	974,476
Pupil Transportation	127,605	0	0	127,605
Central	840	0	3,600	4,440
Operation of Non-Instructional Services	0	0	363,657	363,657
Extracurricular Activities	199,711	0	56,636	256,347
Capital Outlay	0	0	131,739	131,739
Debt Service:				
Principal Retirement	0	100,000	0	100,000
Interest and Fiscal Charges	0	17,450	0	17,450
<i>Total Expenditures</i>	<u>7,247,506</u>	<u>119,833</u>	<u>997,134</u>	<u>8,364,473</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>877,445</u>	<u>(1,102)</u>	<u>(135,337)</u>	<u>741,006</u>
Other Financing Sources (Uses)				
Transfers In	0	0	71,605	71,605
Transfers Out	(71,605)	0	0	(71,605)
<i>Total Other Financing Sources (Uses)</i>	<u>(71,605)</u>	<u>0</u>	<u>71,605</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	805,840	(1,102)	(63,732)	741,006
<i>Fund Balances Beginning of Year</i>	3,784,839	609,835	235,400	4,630,074
<i>Fund Balances End of Year</i>	<u>\$4,590,679</u>	<u>\$608,733</u>	<u>\$171,668</u>	<u>\$5,371,080</u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

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

Net Change in Fund Balances - Total Governmental Funds \$741,006

***Amounts reported for governmental activities in the
statement of activities are different because***

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	131,739	
Current Year Depreciation	(602,320)	
Total		(470,581)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(25,647)	
Income Taxes	5,301	
Intergovernmental	(24,112)	
Total		(44,458)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 100,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accreted Interest on Bonds	(7,771)	
Amortization of Premium	9,804	
Amortization of Deferred Charge on Advance Refunding	(6,870)	
Total		(4,837)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	470,511	
OPEB	13,424	
Total		483,935

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.

Pension	2,300,415	
OPEB	158,589	
Total		2,459,004

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 5,690

Change in Net Position of Governmental Activities: \$3,269,759

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,134,178	\$1,125,265	\$1,175,620	\$50,355
Income Taxes	502,515	498,566	551,325	52,759
Tuition and Fees	595,824	591,142	560,842	(30,300)
Interest	17,740	17,601	35,936	18,335
Contributions and Donations	1,008	1,000	100	(900)
Intergovernmental	5,720,391	6,013,743	5,745,824	(267,919)
Miscellaneous	19,364	19,435	37,771	18,336
<i>Total Revenues</i>	<u>7,991,020</u>	<u>8,266,752</u>	<u>8,107,418</u>	<u>(159,334)</u>
Expenditures				
Current:				
Instruction:				
Regular	2,696,871	3,141,411	2,495,880	645,531
Special	1,067,819	1,258,479	1,500,454	(241,975)
Other	827,207	994,885	966,768	28,117
Support Services:				
Pupils	78,755	94,719	128,224	(33,505)
Instructional Staff	34,788	41,840	27,424	14,416
Board of Education	20,976	25,228	17,806	7,422
Administration	766,765	887,886	850,315	37,571
Fiscal	265,780	311,867	325,528	(13,661)
Business	0	0	207	(207)
Operation and Maintenance of Plant	663,985	772,775	871,361	(98,586)
Pupil Transportation	105,147	124,405	125,328	(923)
Extracurricular Activities	177,475	211,363	199,813	11,550
<i>Total Expenditures</i>	<u>6,705,568</u>	<u>7,864,858</u>	<u>7,509,108</u>	<u>355,750</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,285,452</u>	<u>401,894</u>	<u>598,310</u>	<u>196,416</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditure	22,850	22,850	0	(22,850)
Advances In	2,600	2,600	29,765	27,165
Advances Out	(30,658)	(30,658)	(15,947)	14,711
Transfers Out	(39,550)	(39,550)	(71,605)	(32,055)
<i>Total Other Financing Sources (Uses)</i>	<u>(44,758)</u>	<u>(44,758)</u>	<u>(57,787)</u>	<u>(13,029)</u>
<i>Net Change in Fund Balance</i>	1,240,694	357,136	540,523	183,387
<i>Fund Balance Beginning of Year</i>	3,931,409	3,931,409	3,931,409	0
Prior Year Encumbrances Appropriated	1,018	1,018	1,018	0
<i>Fund Balance End of Year</i>	<u>\$5,173,121</u>	<u>\$4,289,563</u>	<u>\$4,472,950</u>	<u>\$183,387</u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2018

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$15,174</u>	<u>\$16,117</u>
Liabilities		
Accounts Payable	10,900	0
Due to Students	0	16,117
<i>Total Liabilities</i>	<u>10,900</u>	<u>\$16,117</u>
Net Position		
Held in Trust for Scholarships	<u>\$4,274</u>	

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

Statement of Changes in Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

	<u>Scholarship</u>
Additions	
Contributions and Donations	\$11,900
Deductions	
Scholarships Awarded	<u>10,900</u>
<i>Change in Net Position</i>	1,000
<i>Net Position Beginning of Year</i>	<u>3,274</u>
<i>Net Position End of Year</i>	<u><u>\$4,274</u></u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Note 1 - Description of the School District and Reporting Entity

The Sebring Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five member Board form of government. Each member is elected to staggered four year terms. The District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the District's two instructional support facilities staffed by 27 non-certificated and 37 certified teaching personnel and 6 administrators who provide services to students and other community members.

The District is located in Sebring Ohio, Mahoning County. The ADM for the District during the 2018 fiscal year was approximately 477 students. The District operates one elementary school (K-6) and one high school (7-12).

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the basic financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Sebring Local School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool and student related activities of the District.

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

The District participates in two jointly governed organizations and two public entity risk pools. These organizations are the Area Cooperative Computerized Educational Service System Council of Governments, the Mahoning County Career and Technical Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Portage Area Schools Consortium. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

A. Basis of Presentation

The 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the District that are governmental and those that are considered business-type. The District, however, has no business-type activities.

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

B. Fund Accounting

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

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

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Bond Retirement Fund The bond retirement fund accounts for property tax revenues that are restricted for payment of principal, interest and fiscal charges on general obligation debt.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted, committed or assigned to a particular purpose.

Fiduciary Fund Type 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust fund. The money in the fund is used to grant college scholarships to certain eligible students of the District. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenditures) in total net position.

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

D. Basis of Accounting

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

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

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Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding, pension and OPEB reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 14 and 15.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes, income tax and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position (see Notes 14 and 15).

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

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

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For the Fiscal Year Ended June 30, 2018

E. Budgetary Data

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

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2018, the District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$36,755 which includes \$8,805 assigned from other District funds.

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

G. Inventory

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

H. Capital Assets

The District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities

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*Notes to the Basic Financial Statements
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column of the government-wide statement of net position but are not reported in the fund financial statements.

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

All reported capital assets, except land, 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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 20 years
Buildings and Improvements	10 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 10 years
Library Books	10 years

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators after ten years of service.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

K. Net Position

Net position represents the difference between all other elements in a statement of financial position. 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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The net position held in trust for scholarships signify the legal restrictions on the use of principal.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District 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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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 District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the 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.

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For the Fiscal Year Ended June 30, 2018

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

M. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net position.

N. Internal Activity

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

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

O. Deferred Outflow on Refunding

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

P. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are reported in the year the bonds are issued.

Q. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

R. Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The District has recorded a prepaid asset for agreed upon prepayments to the Mahoning County Educational Service Center (ESC).

S. Estimates

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

Note 3 – Change in Accounting Principle & Restatement of Prior Year Net Position

A. Change in Accounting Principles

For fiscal year 2018, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, Statement No. 81, “Irrevocable Split-Interest Agreements”, Statement No. 85, “Omnibus 2017”, and GASB Statement No. 86, “Certain Debt Extinguishment Issues”.

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The implementation of GASB Statement 75 resulted in an overall restatement of beginning net position, as previously reported (see below).

GASB Statement No. 81 aims to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts-or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement 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)). The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

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GASB Statement No. 86 aims to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District incorporated the corresponding GASB 86 guidance into their fiscal year 2018 financial statements; however, there was no effect on beginning net position or fund balance.

B. Restatement of Prior Year Net Position

	<u>Governmental Activities</u>
Net Position at June 30, 2017, as Previously Reported	\$3,057,423
<i>Adjustments:</i>	
Net Other Postemployment Benefit (OPEB) Liability	(1,934,507)
Deferred Outflow - District's Contributions Made Subsequent to Measurement Date	<u>14,103</u>
Restated Net Position at June 30, 2017	<u><u>\$1,137,019</u></u>

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

Note 4 – Accountability

Fund balances at June 30, 2018 included individual fund deficits in the IDEA Part-B, Title I and Improving Teacher Quality special revenue funds in the amounts of \$8,539, \$16,724, and \$2,393, respectively. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP basis).

Sebring Local School District

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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- 3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balances (GAAP basis).
 - 4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP basis).
 - 5. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. This includes the public school support special revenue fund.

Net Change in Fund Balance	
GAAP Basis	\$805,840
Net Adjustment for Revenue Accruals	(21,077)
Advances In	29,765
Advances Out	(15,947)
Net Adjustment for Funds Budgeted as Special Revenue	3,544
Net Adjustment for Expenditure Accruals	(257,037)
Adjustment for Encumbrances	(4,565)
Budget Basis	\$540,523

Note 6 - Deposits and Investments

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

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

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

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

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

- 1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A - Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,222,162 of the District's bank balance of \$5,532,722 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount of all District deposits was \$5,423,849 at fiscal year-end.

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

B - Investments

As of June 30, 2018, the District had no investments.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Concentration of Credit Risk The District places no limit on the amount it may invest in any one issuer. The District had no investments at June 30, 2018.

C - Reconciliation of Cash and Investment to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$5,423,849
Investments	0
Total	<u>\$5,423,849</u>
<u>Cash and Investments per Statement of Net Position</u>	
Governmental activities	\$5,392,558
Private-purpose trust funds	15,174
Agency funds	16,117
Total	<u>\$5,423,849</u>

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property and public utility property located in the District. Real property tax revenue received in calendar 2018 represent collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 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 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

The amount available as an advance at June 30, 2018 was \$16,299 in the general fund and \$19,200 for all funds.

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

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

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$43,179,020	93.55 %	\$44,587,840	93.48 %
Public Utility Personal	2,976,860	6.45	3,112,090	6.52
Total	\$46,155,880	100.00 %	\$47,699,930	100.00 %
Tax rate per \$1,000 of assessed valuation	\$57.60		\$57.60	

Note 8 - Receivables

Receivables at June 30, 2018 consisted of property taxes, income taxes, intergovernmental grants and entitlements, accounts receivable and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the Statement of Net Position follows:

<u>Governmental Activities:</u>	
Property Taxes	\$1,680,412
Income Taxes	215,740
Intergovernmental	42,341
Accounts Receivable	2,047
Accrued Interest	819
Total	\$1,941,359

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 9 – Fund Balances

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental	Total
<i>Nonspendable</i>				
Prepays	\$617,349	\$0	\$0	\$617,349
Inventory	0	0	1,853	1,853
<i>Total Nonspendable</i>	<u>617,349</u>	<u>0</u>	<u>1,853</u>	<u>619,202</u>
<i>Restricted for</i>				
Classroom Maintenance	0	0	32,806	32,806
Debt Service Payments	0	608,733	0	608,733
Capital Improvements	0	0	129,624	129,624
Other Purposes	0	0	3,097	3,097
<i>Total Restricted</i>	<u>0</u>	<u>608,733</u>	<u>165,527</u>	<u>774,260</u>
<i>Committed to</i>				
After School Programs	0	0	31,944	31,944
<i>Assigned to</i>				
Other Purposes	14,364	0	0	14,364
<i>Unassigned (Deficit)</i>				
	3,958,966	0	(27,656)	3,931,310
<i>Total Fund Balances (Deficit)</i>	<u>\$4,590,679</u>	<u>\$608,733</u>	<u>\$171,668</u>	<u>\$5,371,080</u>

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Note 10 - Capital Assets

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

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18
Governmental Activities:				
Capital assets not being depreciated				
Land	\$219,600	\$0	\$0	\$219,600
Capital assets being depreciated				
Land Improvements	1,125,773	0	0	1,125,773
Buildings and improvements	16,325,058	0	0	16,325,058
Furniture, fixtures and equipment	1,083,138	54,524	(61,813)	1,075,849
Library Books	200,764	0	0	200,764
Vehicles	345,785	77,215	(53,466)	369,534
Total capital assets being depreciated	19,080,518	131,739	(115,279)	19,096,978
Accumulated depreciation				
Land Improvements	(981,242)	(43,516)	0	(1,024,758)
Buildings and improvements	(9,515,271)	(480,634)	0	(9,995,905)
Furniture, fixtures and equipment	(929,089)	(37,761)	61,813	(905,037)
Library Books	(186,134)	(6,551)	0	(192,685)
Vehicles	(236,452)	(33,858)	53,466	(216,844)
Total accumulated depreciation	(11,848,188)	(602,320) *	115,279	(12,335,229)
Capital assets being depreciated, net	7,232,330	(470,581)	0	6,761,749
Governmental activities capital assets, net	\$7,451,930	(\$470,581)	\$0	\$6,981,349

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$535,459
Special	289
Support Services:	
Instructional Staff	1,902
Administration	8,882
Operation and Maintenance of Plant	20,333
Pupil Transportation	30,091
Operation of Food Services	3,737
Extracurricular	1,627
Total Depreciation Expense	\$602,320

Note 11 – School District Income Tax

The voters of the District passed a 1 percent, five year, school district income tax in the November 2006 election that became effective January 1, 2007. District income tax revenue received by the General Fund during fiscal year 2018 was \$562,430.

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Note 12 - Interfund Receivable/Payable

At June 30, 2018 an interfund receivable/payable existed between the general fund and the Miscellaneous Federal Grants special revenue funds in the amount of \$15,947. The primary purpose of this interfund balance is to cover costs in specific funds where revenues were not received by June 30. This interfund balance will be repaid in fiscal year 2019 once the anticipated revenue is received.

Note 13 - Risk Management

A. Comprehensive

The 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 District contracted for the following insurance coverage:

Type of Coverage	Coverage
Building and Contents - Replacement Cost (\$5,000 deductible)	\$35,615,927
Boiler and Machinery (\$500 deductible)	14,145,000
Inland Marine Coverage (\$100 deductible)	62,500
General Liability:	
in aggregate	2,000,000
Per occurrence	1,000,000
Fleet Insurance:	
Uninsured motorists	1,000,000
Comprehensive (deductibles; \$1,000 bus / \$250 other)	1,000,000
Collision (deductibles; \$1,000 bus / \$500 other)	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the previous year.

B. Employee Group Health, Disability and Life Insurance

The District participates in the Portage Area Schools Consortium (the "Consortium"), which is a cooperative entity among 14 educational-service providers formed in 1981 to facilitate effective risk management and to share the cost of providing various insurance coverage's and employee benefits. The Health and Welfare Trust is organized under the provisions of Section 501(c) (9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the Consortium. The insurance agreement with the Consortium will reinsure through commercial companies for claims over \$150,000 per employee. Although the District does not participate in the day to day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing board, as provided in the Consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted, it is the opinion of management that the assets of the Consortium are sufficient to meet claims.

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C. Workers' Compensation Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates, McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 14 – Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

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

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

B. School Employees Retirement System

Plan Description - District non-teaching employees participate in the School Employees Retirement System (SERS), a statewide, cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. 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 on 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.

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Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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 fiscal year ending June 30, 2018, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution was allocated to the Health Care Fund for fiscal year 2018. The District's contractually required contribution to SERS was \$113,080 for the fiscal year ended June 30, 2018. Of this amount \$80,628 was reported as an intergovernmental payable.

C. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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 year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018 and subsequent years, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The District's contractually required contribution to STRS was \$357,431 for the fiscal year ended June 30, 2018. Of this amount \$59,936 was reported as an intergovernmental payable.

D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 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 and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.02873860%	0.02407597%	
Proportion of the Net Pension Liability Current Measurement Date	0.02546090%	0.02239972%	
Change in Proportionate Share	<u>-0.00327770%</u>	<u>-0.00167625%</u>	
Proportionate Share of the Net Pension Liability	\$1,521,233	\$5,321,101	\$6,842,334
Pension Expense	(\$108,858)	(\$2,191,557)	(\$2,300,415)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$65,470	\$205,475	\$270,945
Change of Assumptions	78,664	1,163,783	1,242,447
Change in Proportionate Share	107,482	103,500	210,982
District contributions subsequent to the measurement date	113,080	357,431	470,511
Total Deferred Outflows of Resources	\$364,696	\$1,830,189	\$2,194,885
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$42,886	\$42,886
Net difference between projected and actual earnings on pension plan investments	7,223	175,605	182,828
Change in Proportionate Share	217,599	534,260	751,859
Total Deferred Inflows of Resources	\$224,822	\$752,751	\$977,573

\$470,511 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$6,502	\$105,227	\$111,729
2020	73,789	344,104	417,893
2021	(18,033)	276,091	258,058
2022	(35,464)	(5,415)	(40,879)
Total	\$26,794	\$720,007	\$746,801

Actuarial Assumptions - SERS

SERS' total pension liability is determined by SERS' 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 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

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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, June 30, 2017, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 Year Period Ended June 30, 2015
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
COLA or Ad hoc COLA	2.50 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
Wage Inflation	3.00 Percent

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

The most recent experience study was completed 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:

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net Pension Liability	\$2,111,075	\$1,521,233	\$1,027,119

Actuarial Assumptions - STRS

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

Inflation	2.50 Percent
Salary Increases	12.50 Percent at Age 20 to 2.50 Percent at Age 65
Investment Rate of Return	7.45 Percent, Net of Investment Expenses, Including Inflation
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent, Effective July 1, 2017

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

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

STRS 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:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Fixed Income	21.00	3.00
Alternatives	17.00	7.09
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.45 %

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS 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 pension liability was 7.45 percent 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 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the 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 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 assumption:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's Proportionate Share of the Net Pension Liability	\$7,627,618	\$5,321,101	\$3,378,207

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

Benefit Term Changes Since the Prior Measurement Date Effective July 1, 2017, the COLA was reduced to zero.

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E. 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/State Teachers Retirement System of Ohio. As of June 30, 2018, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

Note 15 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. The net OPEB liability has been disclosed below.

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

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

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

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

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

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For the Fiscal Year Ended June 30, 2018

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$13,424 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Current Measurement Date	0.02584100%	0.02239972%	
Proportionate Share of the Net OPEB Liability	\$693,505	\$873,954	\$1,567,459
OPEB Expense	\$108,095	(\$266,684)	(\$158,589)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$50,450	\$50,450
District contributions subsequent to the measurement date	13,424	0	13,424
Total Deferred Outflows of Resources	\$13,424	\$50,450	\$63,874
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,831	\$37,355	39,186
Change of Assumptions	65,810	70,400	136,210
Change in Proportionate Share	69,410	0	69,410
Total Deferred Inflows of Resources	\$137,051	\$107,755	\$244,806

\$13,424 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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*Notes to the Basic Financial Statements
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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$49,450	\$12,664	\$62,114
2020	49,450	12,664	62,114
2021	37,694	12,664	50,358
2022	457	12,663	13,120
2023	0	3,325	3,325
Thereafter	0	3,325	3,325
Total	<u>\$137,051</u>	<u>\$57,305</u>	<u>\$194,356</u>

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

The 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:

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

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$837,495	\$693,505	\$579,427
	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 %)
District's proportionate share of the net OPEB liability	\$562,727	\$693,505	\$866,591

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$1,173,270	\$873,954	\$637,397
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$607,186	\$873,954	\$1,225,053

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 - Long-term Obligations

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

	Outstanding 6/30/17	Additions	Deductions	Outstanding 6/30/18	Amounts due in One Year
General Obligation Bonds:					
2010 Classroom Facilities					
Improvement Refunding Bonds:					
Current Interest Serial Bonds	\$200,000	\$0	\$0	\$200,000	\$100,000
Current Interest Term Bonds	225,000	0	0	225,000	0
Capital Appreciation Bonds	22,562	0	(22,562)	0	0
Accretion on Capital Appreciation Bonds	69,667	7,771	(77,438)	0	0
Unamortized Premium on Refunding Bonds	43,303	0	(9,804)	33,499	0
Total General Obligation Bonds	560,532	7,771	(109,804)	458,499	100,000
Other Long-Term Obligations:					
Compensated Absences	455,945	33,897	(39,587)	450,255	37,106
Total Before Net Pension & OPEB Liability	1,016,477	41,668	(149,391)	908,754	137,106
Net Pension Liability:					
STRS	8,058,953	0	(2,737,851)	5,321,102	0
SERS	2,103,400	0	(582,168)	1,521,232	0
Total Net Pension Liability	10,162,353	0	(3,320,019)	6,842,334	0
Net OPEB Liability:					
STRS	1,197,943	0	(323,988)	873,955	0
SERS	736,564	0	(43,060)	693,504	0
Total Net OPEB Liability	1,934,507	0	(367,048)	1,567,459	0
Total Long-Term Obligations	\$13,113,337	\$41,668	(\$3,836,458)	\$9,318,547	\$137,106

On April 21, 2010, the District issued Classroom Facilities Improvement Advance Refunding Bonds in the amount of \$999,999 (par value) with interest rates ranging from 2.0 percent to 4.2 percent to advance refund \$1,150,000 of the 1999 Classroom Facilities Improvement Bonds with rates ranging from 4.0 percent to 6.125 percent. The term bonds mature 12/1/2021 and are callable 12/1/2010. The refunding bonds were issued at a premium of \$113,565 and, after paying issuance costs of \$33,985, the net proceeds were \$1,229,579. The net proceeds from the issuance of the bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds were called on 12/1/2010. The advance refunding met the requirements of a legal debt defeasance and all of the 1999 Classroom Facilities Improvement Bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$304,685, which resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$237,132.

Compensated absences will be paid from the general fund and the food service, IDEA part B and the Title I special revenue funds.

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For the Fiscal Year Ended June 30, 2018

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 14 and 15.

The District's overall legal debt margin was \$4,488,469, with an unvoted debt margin of \$47,700 at June 30, 2018. Principal requirements to retire general obligation debt outstanding at June 30, 2018, are as follows:

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>2010 Advance Refunding</u> <u>Bonds (Term & Serial)</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$100,000	\$15,450
2020	100,000	11,450
2021	110,000	7,140
2022	115,000	2,415
<i>Total</i>	<u>\$425,000</u>	<u>\$36,455</u>

Note 17 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators earn twenty days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 275 days for certified personnel and 275 for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days for certified employees and one-third of accrued, but unused sick leave credit up to a maximum of 65 days for classified employees.

Note 18 - Set-Asides

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

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

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	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-Aside Requirement	92,538
Qualifying Disbursements	0
Current Year Offsets	(141,766)
Total	(\$49,228)
Set-Aside Balance Carried Forward to	
Future Fiscal Years	\$0
Cash balance as of June 30, 2018	\$0

Although the District had qualifying offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 19 - Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The District paid a monthly fee to ACCESS during fiscal year 2018. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 7320 North Palmyra Road, Suite 127, Canfield, Ohio, 44406.

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Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

B. Mahoning County Career and Technical Center

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school district's and one representative from each of the two city school districts. During fiscal year 2018, no monies were received from the District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

Note 20 - Public Entity Risk Pool

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

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group 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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Portage Area Schools Consortium

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

Note 21 - Contingencies

A. Grants

The 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 District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to legal proceedings as a defendant as of June 30, 2018.

Sebring Local School District

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

C. School District 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. ODE has finalized the impact of enrollment adjustments to the June 30, 2018 foundation funding for the District. These adjustments were insignificant for the District.

Note 22 – Tax Abatements

As of June 30, 2017, the latest information available, the District provides tax abatements through a Community Reinvestment Area (CRA). This program relates to the abatement of property taxes.

Community Reinvestment Area – Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the Village of Sebring entered into such agreements.

<u>Tax Abatement Program</u>	<u>Taxes Abated</u>
Community Reinvestment Area	\$196,997

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Mahoning County, Ohio

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02546090%	0.02873860%	0.02429860%	0.02928400%	0.02928400%
School District's Proportionate Share of the Net Pension Liability	\$1,521,233	\$2,103,400	\$1,386,502	\$1,482,046	\$1,741,425
School District's Employee Payroll	\$842,657	\$742,236	\$657,314	\$781,205	\$861,821
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	180.53%	283.39%	210.93%	189.71%	202.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

Sebring Local School District
Mahoning County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio (STRS)
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.022399720%	0.024075970%	0.023454080%	0.024713510%	0.024713510%
School District's Proportionate Share of the Net Pension Liability	\$5,321,101	\$8,058,953	\$6,482,022	\$6,011,180	\$7,160,479
School District's Employee Payroll	\$2,462,571	\$2,505,407	\$2,539,136	\$2,638,577	\$2,700,077
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	216.08%	321.66%	255.28%	227.82%	265.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

Sebring Local School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Pension Contribution	\$113,080	\$117,972	\$103,903	\$86,634
Pension Contributions in Relation to the Contractually Required Contribution	(\$113,080)	(\$117,972)	(\$103,903)	(\$86,634)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$807,714	\$842,657	\$742,236	\$657,314
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	13.18%

2014	2013	2012	2011	2010	2009
\$108,275	\$119,276	\$113,036	\$115,252	\$111,723	\$81,532
(\$108,275)	(\$119,276)	(\$113,036)	(\$115,252)	(\$111,723)	(\$81,532)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$781,205	\$861,821	\$840,416	\$916,881	\$825,133	\$828,577
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

Sebring Local School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Pension Contribution	\$357,431	\$344,760	\$350,757	\$355,479
Pension Contributions in Relation to the Contractually Required Contribution	(\$357,431)	(\$344,760)	(\$350,757)	(\$355,479)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,553,079	\$2,462,571	\$2,505,407	\$2,539,136
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

2014	2013	2012	2011	2010	2009
\$343,015	\$351,010	\$376,002	\$403,276	\$386,441	\$390,690
(\$343,015)	(\$351,010)	(\$376,002)	(\$403,276)	(\$386,441)	(\$390,690)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,638,577	\$2,700,077	\$2,892,323	\$3,102,123	\$2,972,623	\$3,005,308
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Sebring Local School District

Mahoning County, Ohio

Required Supplementary Information

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

School Employees Retirement System of Ohio (SERS)

Last Two Fiscal Years (1)

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.02584100%	0.02584100%
School District's Proportionate Share of the Net OPEB Liability	\$693,505	\$736,594
School District's Employee Payroll	\$842,657	\$742,236
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	82.30%	99.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

Sebring Local School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio (STRS)
Last Two Fiscal Years (1)*

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.022399720%	0.022399720%
School District's Proportionate Share of the Net OPEB Liability	\$873,954	\$1,197,943
School District's Employee Payroll	\$2,462,571	\$2,505,407
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	35.49%	47.81%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

Sebring Local School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District OPEB Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required OPEB Contribution	\$13,424	\$14,103	\$14,904	\$17,373
OPEB Contributions in Relation to the Contractually Required Contribution	(\$13,424)	(\$14,103)	(\$14,904)	(\$17,373)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$807,714	\$842,657	\$742,236	\$657,314
Contributions as a Percentage of Employee Payroll	1.66%	1.67%	2.01%	2.64%

2014	2013	2012	2011	2010	2009
\$20,415	\$19,844	\$17,358	\$38,418	\$26,825	\$47,352
(\$20,415)	(\$19,844)	(\$17,358)	(\$38,418)	(\$26,825)	(\$47,352)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$781,205	\$861,821	\$840,416	\$916,881	\$825,133	\$828,577
2.61%	2.30%	2.07%	4.19%	3.25%	5.71%

Sebring Local School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District OPEB Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required OPEB Contribution	\$0	\$0	\$0	\$0
OPEB Contributions in Relation to the Contractually Required Contribution	\$0	\$0	\$0	\$0
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,553,079	\$2,462,571	\$2,505,407	\$2,539,136
Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%

2014	2013	2012	2011	2010	2009
\$26,386	\$27,001	\$28,923	\$31,021	\$29,726	\$30,053
(\$26,386)	(\$27,001)	(\$28,923)	(\$31,021)	(\$29,726)	(\$30,053)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,638,577	\$2,700,077	\$2,892,323	\$3,102,123	\$2,972,623	\$3,005,308
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Sebring Local School District

Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2018

Pension

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date:

- a) The assumed rate of inflation was reduced to 3.0% from 3.25%.
- b) Payroll growth assumption was reduced to 3.50% from 4.0%.
- c) Assumed real wage growth was reduced to 0.50% from 0.75%.
- d) Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- e) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- f) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- g) Mortality among disabled members was updated to 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.
- h) The discount rate was reduced to 7.50% from 7.75%.

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

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date:

- a) The long term expected rate of return was reduced to 7.45% from 7.75%.
- b) The inflation assumption was lowered to 2.50% from 2.75%.
- c) The payroll growth assumption was lowered to 3.0%.
- d) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation.
- e) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016.
- f) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Sebring Local School District

Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2018

Other Postemployment Benefits (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017 through 2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date:

- a) Assumed rate of inflation was reduced to 3.0% from 3.25%.
- b) Payroll growth assumption was reduced to 3.50% from 4.0%.
- c) Assumed real wage growth was reduced to 0.50% from 0.75%.
- d) Rates of withdrawal, retirement, and disability were updated to reflect recent experience.
- e) Mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females.
- f) Mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- g) Mortality among disabled members was updated to the following: 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.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients to 1.9% from 2.1% 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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date:

- a) The discount rate was increased to 4.13% from 3.26% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB).
- b) The long term expected rate of return was reduced to 7.45% from 7.75%.
- c) Valuation year per capita health care costs were updated, and the salary scale was modified.
- d) 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.
- e) The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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OHIO AUDITOR OF STATE KEITH FABER



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

Sebring Local School District
Mahoning County
510 North 14th Street
Sebring, Ohio 44672

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sebring Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 6, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

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

District's Response to Finding

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

May 6, 2019

**SEBRING LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018**

1. Ohio Rev. Code § 5705.10(D) - Misposting of Receipts

<i>Finding Number</i>	2018-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Ohio Rev. Code § 5705.10(D) requires that all revenue derived from a source other than the general property tax and which the law prescribes, shall be used for a particular purpose is to be paid into a special fund for such purpose.

The District inappropriately recorded Tangible Personal Property Tax replacement receipt of \$11,742 as property tax revenue in the bond retirement fund instead of intergovernmental revenue in the general fund. Audit adjustments are reflected in the accounting records and financial statements correcting the misstatement.

The lack of controls over the posting of financial transactions can lead to spending money in a manner not in accordance with legal requirements and decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

The District should reference the USAS manuals and implement controls to help ensure all transactions are reviewed for posting to the proper funds.

Official's Response: The District did make an error in posting Tangible Personal Property Tax replacement as property tax revenue in the bond retirement fund instead of the general fund. The District is implementing a new control moving forward involving another person in the office reviewing each receipt on a monthly basis to ensure all receipts are posted to the appropriate funds.

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OHIO AUDITOR OF STATE
KEITH FABER



SEBRING LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 23, 2019**