

LOCKLAND LOCAL SCHOOL DISTRICT

Financial Statements

Year Ended June 30, 2017

With Accountant's Compilation Report



CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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To the Board of Education of the
Lockland Local School District:

Management is responsible for the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lockland Local School District (the "School District"), as of and for the year ended June 30, 2017, and related notes to the financial statements as listed in the table of contents, in accordance with the modified cash basis of accounting. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1D of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic or historical context. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide an assurance on such information.

This report is intended for the use of management and members of Council, and the Auditor of state of Ohio, or their designee, and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
August 24, 2017

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Lockland Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- For governmental activities, net position increased by \$1,154,219, which represents a 47% increase from 2016.
- General receipts accounted for \$8.0 million or 85% of all governmental receipts. Program specific receipts in the form of charges for services and sales, and operating and capital grants and contributions accounted for \$1.4 million or 15% of total governmental receipts of \$9.4 million.
- The School District had \$8.3 million in disbursements related to governmental activities; only \$1.4 million of these disbursements were offset by program specific charges for services and sales, and operating and capital grants and contributions. General receipts (primarily taxes and unrestricted grants and entitlements) of \$8.0 million provided resources for these programs sufficient to cover the program costs.
- The School District's major fund was the general fund. All governmental funds had total receipts of \$9.4 million and disbursements of \$8.3 million. The net change in fund balance for the year was most significant in the general fund, where the general fund's balance increased by \$908,585.

Using the Basic Financial Statements

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

Report Components

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

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

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

Basis of Accounting

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

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the School District as a Whole

The Statement of Net Position and the Statement of Activities reflect how the School District performed financially during fiscal year 2017, within the limitations of modified cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as Governmental Activities.

Reporting the School District's Most Significant Funds

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. All of the School District's fiduciary activity is reported in a separate Statement of Fiduciary Net Position – Modified Cash Basis.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at year-end

The following table presents a condensed summary of the School District's net position of governmental activities at June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|---------------------------|---------------------|------------------|
| Assets: | | |
| Cash and investments | \$ <u>3,601,874</u> | <u>2,447,655</u> |
| <i>Total Assets</i> | <u>3,601,874</u> | <u>2,447,655</u> |
| Net Position: | | |
| Restricted | 739,307 | 951,177 |
| Unrestricted | <u>2,862,567</u> | <u>1,496,478</u> |
| <i>Total Net Position</i> | \$ <u>3,601,874</u> | <u>2,447,655</u> |

The restricted net position includes amounts restricted for capital projects, debt service, set-asides and other purposes. These amounts are held to be used for specific purposes. The balance of unrestricted net position (\$2,862,567) may be used to meet the government's ongoing obligations to citizens and creditors.

Cash and investments increased by \$1,154,219 primarily due to House Bill 64 Capacity Aid funding as part of the School District's school foundation payments from the State. Capacity Aid funding is a funding component that was added to the foundation formula to provide additional support to school districts with weaker tax base. This funding is targeted to school districts that fall below the statewide median in terms of taxes generated from 1 mill levy placed on their 3-year average property valuation. The School District also began to receive payments in lieu of taxes from a tax increment financing district in which the Board will use for future improvements.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
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Unaudited*

The table below shows the net changes in governmental activities net position for fiscal year 2017 compared to 2016.

| | <u>2017</u> | <u>2016</u> | <u>Increase (Decrease)</u> |
|---|---------------------|------------------|--------------------------------|
| Receipts: | | | |
| Program Receipts: | | | |
| Charges for services and sales | \$ 335,273 | 394,253 | (58,980) |
| Operating grants and contributions | 1,030,761 | 1,140,415 | (109,654) |
| Capital grants and contributions | <u>5,400</u> | <u>5,400</u> | <u>-</u> |
| <i>Total Program Receipts</i> | 1,371,434 | 1,540,068 | (168,634) |
| General Receipts: | | | |
| Property taxes | 2,482,591 | 2,458,543 | 24,048 |
| Grants and entitlements | 5,200,121 | 4,920,896 | 279,225 |
| Investment earnings | 21,481 | 6,449 | 15,032 |
| Miscellaneous | <u>344,742</u> | <u>152,258</u> | <u>192,484</u> |
| <i>Total General Receipts</i> | <u>8,048,935</u> | <u>7,538,146</u> | <u>510,789</u> |
| <i>Total Receipts</i> | <u>9,420,369</u> | <u>9,078,214</u> | <u>342,155</u> |
| Disbursements: | | | |
| Instruction | 4,562,464 | 4,861,761 | (299,297) |
| Support services: | | | |
| Pupils and instructional staff | 755,375 | 636,363 | 119,012 |
| Board of Education, administration fiscal and business | 1,241,454 | 1,241,742 | (288) |
| Operation and maintenance of plant | 1,047,802 | 697,261 | 350,541 |
| Pupil transportation | 115,121 | 112,223 | 2,898 |
| Central | 118,347 | 99,793 | 18,554 |
| Non-instructional services | 194,555 | 230,030 | (35,475) |
| Food services | 231,032 | 244,849 | (13,817) |
| Capital outlay | - | 888 | (888) |
| Debt service: | | | |
| Principal retirement | - | 120,000 | (120,000) |
| Interest on long-term debt | <u>-</u> | <u>1,350</u> | <u>(1,350)</u> |
| <i>Total Disbursements</i> | <u>8,266,150</u> | <u>8,246,260</u> | <u>19,890</u> |
| <i>Changes in Net Position</i> | 1,154,219 | 831,954 | 322,265 |
| <i>Beginning Net Position</i> | <u>2,447,655</u> | <u>1,615,701</u> | |
| <i>Ending Net Position</i> | \$ <u>3,601,874</u> | <u>2,447,655</u> | |

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Of the total governmental activities receipts of \$9,420,369, \$1,371,434 (15%) is from program receipts. This means that the government relies on general receipts to fund the majority of the cost of services provided to the citizens. Of those general receipts, 31% (\$2,482,591) comes from property tax levies and 65% (\$5,200,121) is from state funding. The School District's operations are reliant upon its property tax levy and state's foundation program.

Governmental Activities

The School District's governmental activities net position increased by \$1,154,219. With the new State biennium budget covering fiscal years 2016 and 2017, the School District began receiving capacity aid with our school foundation funding. The decrease in instruction disbursements was attributable to retirements and attrition. The increase in operation and maintenance of plant disbursements was due to repairs and improvements.

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the receipts generated by each function. \$1,371,434 of the cost of the School District's programs was recouped in program receipts. Instruction costs were \$4,562,464, but program receipts contributed to fund only 22% of these costs. Thus, general receipts of \$3,552,870 were used to support the remainder of the instruction costs.

| | 2017 | | 2016 | |
|---|--------------------------|------------------------|--------------------------|------------------------|
| | Total Cost of Service | Net Cost of Service | Total Cost of Service | Net Cost of Service |
| Disbursements: | | | | |
| Instruction | \$ 4,562,464 | 3,552,870 | 4,861,761 | 3,747,732 |
| Support services: | | | | - |
| Pupils and instructional staff | 755,375 | 652,506 | 636,363 | 479,153 |
| Board of Education, administration fiscal and business | 1,241,454 | 1,241,454 | 1,241,742 | 1,241,742 |
| Operation and maintenance of plant | 1,047,802 | 1,047,802 | 697,261 | 697,261 |
| Pupil transportation | 115,121 | 115,121 | 112,223 | 112,223 |
| Central | 118,347 | 118,347 | 99,793 | 99,793 |
| Non-instructional services | 194,555 | 169,505 | 230,030 | 201,397 |
| Food services | 231,032 | (2,889) | 244,849 | 4,653 |
| Debt service: | | | | |
| Principal retirement | - | - | 120,000 | 120,000 |
| Interest on long-term debt | - | - | 1,350 | 1,350 |
| Total Disbursements | \$ 8,266,150 | 6,894,716 | 8,245,372 | 6,705,304 |

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has one major governmental fund: the General Fund. Assets of this fund comprise \$2,957,024 (82%) of the total \$3,601,874 governmental fund assets.

General Fund: Fund balance at June 30, 2017 was \$2,957,024, an increase of \$908,585. The reasons for the changes in receipts and disbursements were previously discussed under governmental activities.

| | 2017 | 2016 | Increase (Decrease) |
|----------------------------|-------------------|----------------|------------------------|
| Receipts | \$ 8,177,405 | 7,735,086 | 442,319 |
| Disbursements | (7,046,725) | (6,687,467) | 359,258 |
| Other financing uses | (222,095) | (267,470) | (45,375) |
| Net change in fund balance | \$ <u>908,585</u> | <u>780,149</u> | <u>128,436</u> |

General Fund Budgeting Highlights

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

For the General Fund, the final budget basis receipts and other financing sources were \$8.2 million, a 3% increase from the original estimate of \$7.9 million, primarily due to better property tax collections. Final budgeted disbursements and other financing uses were \$7.3 million, a decrease from the original estimate of \$8.1 million. The decrease was primarily due teacher retirements and attrition and initial conservative estimates for transfers to other funds. Actual transfers out were similar to prior years.

Capital Assets and Debt Administration

Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Debt

Under the modified cash basis of accounting, the School District does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following information about debt.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

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Unaudited*

Current Financial Related Activities

The School District had approximately \$2.9 million in unrestricted net position on the modified cash basis as of June 30, 2017. As the preceding information shows, the School District heavily depends on its property taxpayers. However, financially the future is not without challenges.

With the phase out of the tax on Tangible Personal Property (TPP) (HB66, 2005) fully completed in 2011, the School District was fully reliant on the phased-in state reimbursement to replace the lost revenue. In 2010, following legislative action, a School District's reliance on TPP reimbursement had to exceed 2% of selected revenue by 2013 in order to continue to receive the TPP reimbursement. After 2013, if the reliance exceeds 2% of selected revenues, the reimbursement is frozen until further action by the State legislature. The School District's TPP reimbursement is currently frozen; however, with the current biennium budget, replacement revenue will continue to be phased out. The School District is still receiving TPP Reimbursements; however, Senate Bill No. 208 states that in fiscal year 2018 and beyond, this reimbursement will decrease by 5/8ths of a mill. In other words, fiscal year 2018 and beyond will show a reduction of Tangible Personal Property Reimbursement equivalent to 5/8ths of a current mill.

When the new administration began in fiscal year 2014, the first order of business was to study the spending patterns from the previous five years. We immediately came to the conclusion that a more fiscally responsible approach was needed in order to survive the next five years. We reduced expenditures across the School District and utilized old dormant funds. This in turn put less pressure on the General Fund. In addition, we have reduced the staff and closed the Arlington Heights Academy. In fiscal year 2018, we will continue to reduce expenditures; for, no school district should rely on all aspects of current funding to continue.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Lockland Local School District, 210 N. Cooper Avenue, Lockland, Ohio 45215.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Statement of Net Position - Modified Cash Basis

June 30, 2017

| | <u>Governmental Activities</u> |
|---------------------------------------|------------------------------------|
| Assets: | |
| Equity in pooled cash and investments | \$ 3,416,685 |
| Restricted cash | <u>185,189</u> |
| Total assets | <u>3,601,874</u> |
| Net Position: | |
| Restricted for: | |
| Capital projects | 11,834 |
| Debt service | 299,033 |
| Set asides | 185,189 |
| Other purposes | 243,251 |
| Unrestricted | <u>2,862,567</u> |
| Total net position | <u>\$ 3,601,874</u> |

See accompanying notes and accountant's compilation report.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Statement of Activities - Modified Cash Basis

Fiscal Year Ended June 30, 2017

| | Cash | Program Cash Receipts | | | Net |
|---|---------------------|--------------------------------|------------------------------------|----------------------------------|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | (Disbursements) Receipts and Changes in Net Position |
| | Disbursements | | | | Governmental Activities |
| Governmental Activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 3,237,152 | 297,410 | 74,779 | 5,400 | (2,859,563) |
| Special | 1,324,442 | - | 632,005 | - | (692,437) |
| Other instruction | 870 | - | - | - | (870) |
| Support services: | | | | | |
| Pupil | 385,826 | - | 10,384 | - | (375,442) |
| Instructional staff | 369,549 | - | 92,485 | - | (277,064) |
| Board of Education | 118,377 | - | - | - | (118,377) |
| Administration | 786,087 | - | - | - | (786,087) |
| Fiscal | 330,753 | - | - | - | (330,753) |
| Business | 6,237 | - | - | - | (6,237) |
| Operation and maintenance of plant | 1,047,802 | - | - | - | (1,047,802) |
| Pupil transportation | 115,121 | - | - | - | (115,121) |
| Central | 118,347 | - | - | - | (118,347) |
| Non-instructional services: | | | | | |
| Extracurricular activities | 184,418 | 17,290 | - | - | (167,128) |
| Community service | 10,137 | - | 7,760 | - | (2,377) |
| Food service | 231,032 | 20,573 | 213,348 | - | 2,889 |
| | <u>\$ 8,266,150</u> | <u>335,273</u> | <u>1,030,761</u> | <u>5,400</u> | <u>(6,894,716)</u> |
| General Receipts: | | | | | |
| Property taxes, levied for general purposes | | | | | 2,482,591 |
| Grants and entitlements not restricted to specific programs | | | | | 5,200,121 |
| Investment earnings | | | | | 21,481 |
| Miscellaneous | | | | | 344,742 |
| Total general receipts | | | | | <u>8,048,935</u> |
| Change in net position | | | | | 1,154,219 |
| Net position beginning of year | | | | | <u>2,447,655</u> |
| Net position end of year | | | | | <u>\$ <u>3,601,874</u></u> |

See accompanying notes and accountant's compilation report.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Statement of Assets and Fund Balances - Modified Cash Basis

Governmental Funds

June 30, 2017

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|----------------------------|---|---|
| Assets: | | | |
| Equity in pooled cash and investments | \$ 2,771,835 | 644,850 | 3,416,685 |
| Restricted cash | <u>185,189</u> | <u>-</u> | <u>185,189</u> |
| Total assets | <u><u>2,957,024</u></u> | <u><u>644,850</u></u> | <u><u>3,601,874</u></u> |
| Fund Balances: | | | |
| Restricted | 185,189 | 554,118 | 739,307 |
| Assigned | 12,454 | 90,732 | 103,186 |
| Unassigned | <u>2,759,381</u> | <u>-</u> | <u>2,759,381</u> |
| Total fund balances | \$ <u><u>2,957,024</u></u> | <u><u>644,850</u></u> | <u><u>3,601,874</u></u> |

See accompanying notes and accountant's compilation report.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

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

Governmental Funds

Fiscal Year Ended June 30, 2017

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| Receipts | | | |
| Property taxes | \$ 2,482,591 | - | 2,482,591 |
| Tuition and fees | 297,410 | - | 297,410 |
| Interest | 21,387 | 94 | 21,481 |
| Charges for services | 2,663 | 35,200 | 37,863 |
| Intergovernmental | 5,127,703 | 1,108,579 | 6,236,282 |
| Miscellaneous | 245,651 | 99,091 | 344,742 |
| Total receipts | <u>8,177,405</u> | <u>1,242,964</u> | <u>9,420,369</u> |
| Disbursements | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 3,156,739 | 80,413 | 3,237,152 |
| Special | 691,275 | 633,167 | 1,324,442 |
| Other | 870 | - | 870 |
| Support services: | | | |
| Pupil | 375,731 | 10,095 | 385,826 |
| Instructional staff | 276,740 | 92,809 | 369,549 |
| Board of Education | 118,127 | 250 | 118,377 |
| Administration | 785,625 | 462 | 786,087 |
| Fiscal | 330,753 | - | 330,753 |
| Business | 6,237 | - | 6,237 |
| Operation and maintenance of plant | 1,047,802 | - | 1,047,802 |
| Pupil transportation | 115,121 | - | 115,121 |
| Central | 112,345 | 6,002 | 118,347 |
| Non-instructional services: | | | |
| Extracurricular activities | 29,360 | 155,058 | 184,418 |
| Community service | - | 10,137 | 10,137 |
| Food service | - | 231,032 | 231,032 |
| Total disbursements | <u>7,046,725</u> | <u>1,219,425</u> | <u>8,266,150</u> |
| Excess of receipts over disbursements | <u>1,130,680</u> | <u>23,539</u> | <u>1,154,219</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | - | 222,095 | 222,095 |
| Transfers out | (222,095) | - | (222,095) |
| Total other financing sources (uses) | <u>(222,095)</u> | <u>222,095</u> | <u>-</u> |
| Net change in fund balance | 908,585 | 245,634 | 1,154,219 |
| Fund balance, beginning of year | <u>2,048,439</u> | <u>399,216</u> | <u>2,447,655</u> |
| Fund balance, end of year | <u>\$ 2,957,024</u> | <u>644,850</u> | <u>3,601,874</u> |

See accompanying notes and accountant's compilation report.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Statement of Fiduciary Net Position - Modified Cash Basis

Fiduciary Funds

June 30, 2017

| | <u>Agency Funds</u> |
|---------------------------------------|-------------------------|
| ASSETS | |
| Equity in pooled cash and investments | \$ <u>26,113</u> |
| Total assets | <u><u>26,113</u></u> |
| NET POSITION | |
| Held for students | <u>26,113</u> |
| Total net position | \$ <u><u>26,113</u></u> |

See accompanying notes and accountant's compilation report.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lockland Local School District, Ohio (the “School District”) have been prepared on a modified cash basis. The more significant of the School District’s accounting policies are described below:

A. The Reporting Entity

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities. Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. There are no component units of the School District.

The School District is associated with two organizations that are defined as jointly governed organizations:

Great Oaks Institute of Technology and Career Development - The vocational school is a separate body politic and corporate established by the Ohio Revised Code to provide vocational and special education needs of the students. Great Oaks accepts non-tuition students from the School District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the School District. To obtain financial information, write to Great Oaks at 3254 E Kemper Rd. Cincinnati, OH 45241.

Hamilton Clermont Cooperative (HCC) – HCC is one of 23 regional information technology centers established by the state of Ohio to provide data and internet services for public and non-public schools in the Greater Cincinnati Metropolitan area. A Board of Directors composed of member school’s superintendents approves the long term path for the site, as determined by the Site Director and an Executive Committee composed of five superintendents and two treasurers from member schools. To obtain financial information, write to HCC at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

B. Basis of Presentation

The School District uses the provisions of GASB 34 for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The School District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements providing more detailed financial information.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

Government-Wide Financial Statements: The statement of net position and statement of activities display information about the School District as a whole, except for fiduciary funds. These statements report governmental activities.

The statement of net position presents the cash and investment balances of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the goods or services and grants and contributions restricted to meeting the operational and capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the School District's general receipts.

Fund Financial Statements: During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report more detailed information about the School District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The School District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into two categories: governmental and fiduciary. Each category is divided into separate fund types.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Cash disbursements are assigned to the fund from which they are paid. The following is the School District's only major governmental fund:

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

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

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

Fiduciary Funds

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. The School District's only fiduciary funds are agency funds.

Agency Funds - These funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations, or have a measurement focus. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The School District's agency funds are used to account for student managed activities.

D. Basis of Accounting

Although required by the Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2017 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed tax budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

2. By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year as reported by the Treasurer.

The Certificate may be further amended during the year for projected increases or if the Treasurer identifies decreases in revenue. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2017.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations that reallocated, increased, or decreased the original appropriated amounts. The Board legally enacted one supplemental appropriations measure during fiscal year 2017.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

9. Unencumbered appropriations lapse at year-end. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level. Encumbrance accounting is utilized with School District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end are not included as part of cash disbursements, but are recorded as the equivalent of disbursements on a budgetary basis in order to demonstrate legal compliance. The required supplementary information found after the notes to the financial statements provides a reconciliation of the budgetary and modified cash basis of accounting.

F. Equity in Pooled Cash and Investments

Cash and investments consist of the total of the total of fund cash balances of all funds as of June 30, 2017. To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" in the financial statements.

During fiscal 2017, investments were limited to certificates of deposit, a money market fund and the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value, which is the price the investment could be sold for on June 30, 2017. The District's money market fund investment is recorded at an amount reported by Fifth Third Bank at June 30, 2017.

The Board of Education allocates investment earnings to various funds in accordance with Ohio statute. Interest receipts for the fiscal year 2017 amounted to \$21,387 in the General Fund and \$94 in Other Governmental Funds.

Restricted cash is reported for the amounts the School District is required to set-aside for capital improvements. An analysis of the Treasurer's investment account at year-end is provided in Note 2.

G. Inventory

On the modified cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased and are not recorded as assets in the basic financial statements.

H. Capital Assets and Depreciation

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The basic financial statements do not report these assets or the related depreciation.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

I. Compensated Absences

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

J. Pensions

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

K. Long-Term Debt

These modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments. Additional information regarding legal debt margin can be found in Note 5.

L. Fund Balances

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

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The School District did not report any committed fund balances at June 30, 2017.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

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

The constraints placed on fund balance for the major and all other governmental funds at June 30, 2017 were:

| <u>Fund Balances</u> | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------|----------------------------|---|---|
| <i>Restricted for:</i> | | | |
| Food Service Operations | \$ - | 7,811 | 7,811 |
| State Grants | - | 5,613 | 5,613 |
| Federal Grants | - | 33,945 | 33,945 |
| Other Purposes | - | 195,882 | 195,882 |
| Debt Service Payments | - | 299,033 | 299,033 |
| Capital Improvements | <u>185,189</u> | <u>11,834</u> | <u>197,023</u> |
| <i>Total Restricted</i> | <u>185,189</u> | <u>554,118</u> | <u>739,307</u> |
| <i>Assigned to:</i> | | | |
| Other Purposes | <u>12,454</u> | <u>90,732</u> | <u>103,186</u> |
| <i>Total Assigned</i> | <u>12,454</u> | <u>90,732</u> | <u>103,186</u> |
| <i>Unassigned</i> | <u>2,759,381</u> | <u>-</u> | <u>2,759,381</u> |
| <i>Total Fund Balance</i> | \$ <u><u>2,957,024</u></u> | <u><u>644,850</u></u> | <u><u>3,601,874</u></u> |

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Position

Net position represents the difference between assets and liabilities. On the modified cash basis of accounting, net position equals assets since liabilities are not recorded. The statement reports restricted net position when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use. Restricted for Other Purposes is comprised of net position restricted for athletic programs, grants and scholarships. The School District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

N. Interfund Transactions

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when paid or repaid. Both interfund transfers and advances are eliminated in the statement of activities.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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 may be invested in the following securities:

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

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*.

A. Deposits

At fiscal year end, the carrying amount of the School District’s deposits was \$3,605,173 and the bank balance was \$3,636,714. Of the bank balance, \$650,000 was covered by federal depository insurance. The remaining balance was subject to custodial credit risk as it was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the School District’s name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

B. Investments

At June 30, 2017, the School District’s investment balance was as follows:

| <u>Description</u> | <u>Credit Rating</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--------------------|----------------------|-----------------|-------------------|
| STAROhio | AAAm | N/A | \$ 12,326 |
| Money Market | AAAm | N/A | \$ 10,488 |

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor’s rated the School District’s STAROhio investment as AAAm. The money market fund carries a rating of AAAm by Standard and Poor’s. The Board has no policy on credit risk.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investment policy does not address custodial credit risk.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Education’s formal investment policy states that “Investments held by the Treasurer must mature within five (5) years, unless they are matched to a specific obligation or debt of the School District.” This policy is intended to mitigate interest rate risk. STAROhio maturity dates are varied and short and are not subject to interest rate risk.

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issue. The following investments represent five percent or more of the total investments as of June 30, 2017:

| <u>Investment Issuer</u> | <u>Percentage of Investments</u> |
|--------------------------|----------------------------------|
| STAROhio | 54% |

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

NOTE 3 - INTERFUND TRANSACTIONS

The General Fund provides advances to the Other Governmental Funds as cash is required and these funds repay such advances as cash is available. There were no advances in fiscal year 2017. The transfers from the General Fund of \$222,095 were to Other Governmental Funds to subsidize those funds.

NOTE 4 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar-year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year, except monies available to be advanced against such distributions which may be appropriated and used in the current fiscal year. Property taxes include amounts levied against all real, public, and certain tangible (i.e., used in business) property located in the School District.

Real property taxes and public utility taxes are levied after April against the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised value.

Public utility property taxes are assessed on tangible personal property as well as land and improvements. Real property is assessed at 35% of true value and tangible personal property is currently assessed at varying percentages of true value. These taxes attach as a lien against local and inter-exchange telephone companies and are levied January 1 of the current year. Tangible personal property tax on business inventory, manufacturing machinery, and equipment is no longer levied and collected.

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

| | <u>2016 Second- Half Collections</u> | | <u>2017 First- Half Collections</u> | |
|---|--|----------------|---|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/Residential and Other Real Estate | \$ 55,022,150 | 87.12% | \$ 54,715,140 | 86.87% |
| Personal Property | <u>8,135,000</u> | <u>12.88%</u> | <u>8,268,080</u> | <u>13.13%</u> |
| Total Assessed Value | <u>\$ 63,157,150</u> | <u>100.00%</u> | <u>\$ 62,983,220</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | | \$47.09 | | \$47.09 |

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

NOTE 5 – LEGAL DEBT MARGIN

The Ohio Revised Code provides that voted net general obligation debt of a school district should never exceed 9 percent of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the School District. The School District's voted legal debt margin was \$5,668,490 with an unvoted debt margin of \$62,983 at June 30, 2017.

NOTE 6 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2017, the School District purchased from the Liberty Mutual Insurance Company general liability insurance, which carried a \$1 million per occurrence/\$2 million annual aggregate limitation. Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees. Settled claims have not exceeded these coverage's in any of the past three fiscal years.

Cincinnati USA Regional Chamber Group Rating Program

For fiscal year 2017, the School District participated in the Cincinnati USA Regional Chamber Group Rating Program, an incentive based program to reduce overall costs. The intent of the Group Rating Program is to achieve the benefit of reduced premiums for the School District by virtue of its grouping and representation with other participants in the group. Each participant pays its individual premium for the program year based on the groups performance.

NOTE 7- EMPLOYEE RETIREMENT SYSTEMS

A. Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability has not been reported in the accompanying financial statements, however, information on the net pension liability has been disclosed below.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

| Benefits | Eligible to Retire on or before August 1, 2017* | Eligible to Retire on or after August 1, 2017 |
|------------------------------|--|--|
| Full Benefits | Age 65 with 5 years of service credit 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% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00%. The allocation to the Health Care Fund for the year ended June 30, 2017 was 0%.

The School District's contractually required contribution to SERS was approximately \$161,000 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and will be increased 1% each year until it reaches 14% on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was approximately \$392,000 for fiscal year 2017.

Net Pension Liability

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$1,628,890 | \$8,822,824 | \$10,451,714 |
| Proportion of the Net Pension Liability | 0.0222554% | 0.02635802% | |
| Change in Proportion | -0.0006023% | -0.00007587% | |

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

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

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

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

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

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, 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%), or one percentage point higher (8.50%) than the current rate.

| | <u>1% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|---|--------------------------------|--|--------------------------------|
| School District's proportionate share of the net pension liability | \$2,156,549 | \$1,628,890 | \$1,187,218 |

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

Change in Assumptions – The following changes in actuarial assumptions was made during the June 30, 2016 actuarial valuation period:

- Discount rate was reduced from 7.75% to 7.50%
- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll growth assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience
- 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
- 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
- Mortality among disabled members was updated to the following:
 - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--|
| Inflation | 2.75% |
| Projected Salary Increases | 12.25% at age 20 to 2.75% at age 70 |
| Investment Rate of Return | 7.75%, net of investment expenses |
| COLA | 2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

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

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

| Asset Class | Target Allocation | 10-Yr Long Term Expected Real Rate of Return* |
|----------------------|-------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | 100.00 % | 7.61 % |

* 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75%) or one-percentage-point higher (8.75%) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$11,724,816 | \$8,822,824 | \$6,374,823 |

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS Ohio have an option to choose Social Security or SERS. The School District’s liability is 6.2% of wages paid.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

NOTE 8 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute and are funded on a pay-as-you-go basis.

A. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, 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. Of the 14% employer contribution rate, 0% of covered payroll was allocated to post-employment health care for fiscal years ended June 30, 2017, 2016 and 2015.

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers a postemployment benefit plan.

Health Care Plan

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

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

Year Ended June 30, 2017

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. By statute, no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care. The School District contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$10,000, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

NOTE 9 - CONTINGENCIES

A. Grants

The School District receives financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Beginning with the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 or June 30, 2017 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

NOTE 10 - REQUIRED SET-ASIDES

The School District is required by State statute to annually set aside in the general fund an amount based on the 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 acquisition. Disclosure of this information is required by State statute.

| | <u>Capital Improvements</u> |
|---------------------------------------|---------------------------------|
| Set-aside balance as of June 30, 2016 | \$ 556,645 |
| Current year set-aside requirement | 95,304 |
| Current year qualifying disbursements | <u>(466,400)</u> |
| Total | <u>185,549</u> |
| Set-aside balance as of June 30, 2017 | <u>\$ 185,549</u> |

NOTE 11 - COMPLIANCE

GAAP Reporting

Contrary to the Ohio Revised Code § 117.38 and Ohio Administrative Code §117-03(B), the School District does not prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Supplementary Information

Schedule of Receipts, Disbursements and Changes in Fund

Balance - Budget and Actual (Budgetary Basis)

General Fund

Fiscal Year Ended June 30, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|---------------------|------------------|------------------|----------------------------------|
| Receipts | | | | |
| Property taxes | \$ 2,058,820 | 2,482,591 | 2,482,591 | - |
| Tuition and fees | 245,389 | 297,410 | 297,410 | - |
| Interest | 17,646 | 21,387 | 21,387 | - |
| Intergovernmental | 5,424,966 | 5,127,703 | 5,127,703 | - |
| Miscellaneous | 194,451 | 232,779 | 235,673 | 2,894 |
| Total receipts | <u>7,941,272</u> | <u>8,161,870</u> | <u>8,164,764</u> | <u>2,894</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,483,148 | 3,156,739 | 3,156,739 | - |
| Special | 965,338 | 691,275 | 691,275 | - |
| Other instruction | 870 | 870 | 870 | - |
| Support services: | | | | |
| Pupil | 363,551 | 375,731 | 375,731 | - |
| Instructional staff | 363,587 | 276,740 | 276,740 | - |
| Board of Education | 195,418 | 118,127 | 118,127 | - |
| Administration | 823,993 | 785,625 | 785,625 | - |
| Fiscal | 412,382 | 330,490 | 330,753 | (263) |
| Business | 4,500 | 6,237 | 6,237 | - |
| Operation and maintenance of plant | 808,918 | 1,047,802 | 1,047,802 | - |
| Pupil transportation | 133,750 | 115,121 | 115,121 | - |
| Central | 147,927 | 112,345 | 112,345 | - |
| Non-instructional services: | | | | |
| Extracurricular activities | 7,374 | 6,401 | 6,401 | - |
| Total disbursements | <u>7,710,756</u> | <u>7,023,503</u> | <u>7,023,766</u> | <u>(263)</u> |
| Excess (deficiency) of receipts over disbursements | 230,516 | 1,138,367 | 1,140,998 | 2,631 |
| Other financing sources (uses): | | | | |
| Transfers out | (400,000) | (237,095) | (237,095) | - |
| Total other financing sources (uses) | <u>(400,000)</u> | <u>(237,095)</u> | <u>(237,095)</u> | <u>-</u> |
| Net change in fund balance | (169,484) | 901,272 | 903,903 | 2,631 |
| Fund balance, beginning of year | <u>2,040,669</u> | <u>2,040,669</u> | <u>2,040,669</u> | |
| Fund balance, end of year | \$ <u>1,871,185</u> | <u>2,941,941</u> | <u>2,944,572</u> | |

See accompanying notes to the supplementary information and accountant's compilation report.

LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Supplementary Information

Fiscal Year Ended June 30, 2017

Note A Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the modified cash basis of accounting, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual (Budgetary Basis) 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 modified cash basis are that:

Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types (modified cash basis). There were no outstanding encumbrances at June 30, 2017.

Certain funds accounted for as separate funds internally with legally adopted budgets (budgetary basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (modified cash basis).

The following tables summarize the adjustments necessary to reconcile the cash basis statements and the budgetary basis schedule:

| | | |
|---|----|----------------|
| | | <u>General</u> |
| Net change in fund balance - Cash Basis | \$ | 908,585 |
| Increase / (decrease): | | |
| GASB 54 fund classifications | | <u>(4,682)</u> |
| Net change in fund balance - Budget Basis | \$ | <u>903,903</u> |