Auburn Vocational School District

Basic Financial Statements

June 30, 2018

PLATTENBURG
Certified Public Accountants

Dave Yost · Auditor of State

Board of Education
Auburn Vocational School District
8140 Auburn Road
Concord Township, Ohio 44077

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

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

Dave Yost
Auditor of State

November 27, 2018

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

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PLATTENBURG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

Emphasis Matter

As discussed in Note 21 to the financial statements, during the year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, pension information, and postemployment benefit information be presented to supplement the basic financial statements. Such information, although not a 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 13, 2018

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased $6,431,302 from 2017.

- General revenues accounted for $10,108,411 in revenue or 80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $2,499,580 or 20% of total revenues of $12,607,991.

- The District had $6,176,689 in expenses related to governmental activities; $2,499,580 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $10,108,411 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

These two statements report the District's *net position* and changes in the net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, overall financial position of the District is presented in the following manner:

- Governmental Activities – The District's programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

Fund Financial Statements

The analysis of the District's major funds are presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits 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 District's own programs.

The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017:

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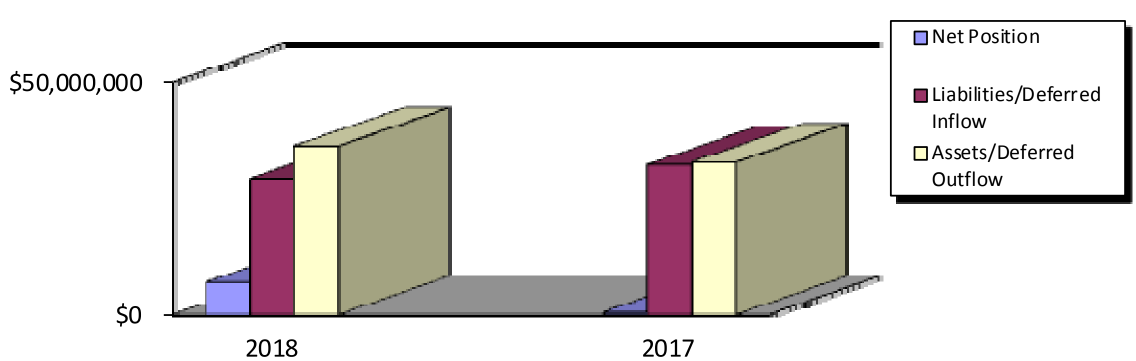
Table 1
Net Position

	Governmental Activities	
	2018	2017-Restated
Assets:		
Current and Other Assets	$15,030,823	$12,301,058
Capital Assets	17,835,948	17,520,213
Total Assets	32,866,771	29,821,271
Deferred Outflows of Resources:		
OPEB	111,983	14,914
Pension	3,268,028	2,955,315
Total Deferred Outflows of Resources	3,380,011	2,970,229
Liabilities:		
Other Liabilities	1,500,592	940,014
Long-Term Liabilities	21,238,218	25,047,273
Total Liabilities	22,738,810	25,987,287
Deferred Inflows of Resources:		
Property Taxes	4,790,193	5,028,518
OPEB	323,438	0
Pension	1,411,164	1,223,820
Total Deferred Inflows of Resources	6,524,795	6,252,338
Net Position:		
Net Investment in Capital Assets	13,155,461	12,329,512
Restricted	232,353	584,055
Unrestricted	(6,404,637)	(12,361,692)
Total Net Position	$6,983,177	$551,875



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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $3,863,745 to $551,875.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows exceeded liabilities and deferred inflows by $6,983,177.

At year-end, capital assets represented 54% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment and vehicles. Net investment in capital assets at June 30, 2018, totaled $13,155,461. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, $232,353 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets increased due to an increase in equity in pooled cash and investments, in fiscal year 2018 as compared to fiscal year 2017. Capital assets increased due to the start of multiple construction projects. Total liabilities decreased due to a decrease in net pension liability.

Table 2 shows the changes in net position for fiscal years 2018 and 2017.

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Table 2
Changes in Net Position

	Governmental Activities 2018	Governmental Activities 2017
Revenues:		
Program Revenues:		
Charges for Services and Sales	$1,385,881	$1,565,580
Operating Grants and Contributions	1,113,699	1,078,931
Total Program Revenues	2,499,580	2,644,511
General Revenues:		
Property Taxes	6,531,254	6,303,158
Grants and Entitlements	3,083,973	2,841,847
Other	493,184	298,853
Total General Revenues	10,108,411	9,443,858
Total Revenues	12,607,991	12,088,369
Program Expenses:		
Instruction	2,906,548	5,944,991
Support Services:		
Pupil and Instructional Staff	457,139	1,146,521
School Administrative, General Administration, Fiscal and Business	895,816	2,037,710
Operations and Maintenance	1,396,489	1,675,787
Pupil Transportation	8,244	10,496
Central	211,856	616,431
Operation of Non-Instructional Services	112,084	259,844
Extracurricular Activities	2,415	22,943
Interest and Fiscal Charges	186,098	171,343
Total Program Expenses	6,176,689	11,886,066
Changes in Net Position	6,431,302	202,303
Net Position - Beginning of Year, Restated	551,875	N/A
Net Position - End of Year	$6,983,177	$551,875

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $14,914 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $379,643. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	$6,176,689
Negative OPEB expense under GASB 75	379,643
2018 contractually required contribution	29,726
Adjusted 2018 operating expenses	6,586,058
Total 2017 operating expenses under GASB 45	11,886,066
Change in operating expenses not related to OPEB	($5,300,008)

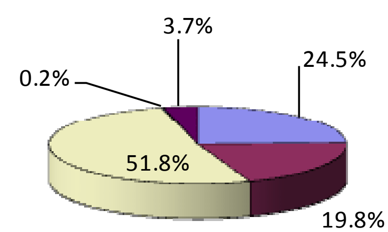
The District revenues came from mainly two sources. Property taxes levied for general purposes and debt service, as well as grants and entitlements comprised 76% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home were reappraised and increased to $200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay $35.00.

Property taxes made up 52% of governmental activities for the District in fiscal year 2018. The District's reliance upon tax revenues is demonstrated in the following graph:

Governmental Activities
Revenue Sources

Revenue Sources	2018	Percent of Total
General Grants	$3,083,973	24.5%
Program Revenues	2,499,580	19.8%
General Tax Revenues	6,531,254	51.8%
Investment Earnings	26,436	0.2%
Other Revenues	466,748	3.7%
	$12,607,991	100.0%



Instruction comprises 47% of governmental program expenses. Support services expenses were 50% of governmental program expenses. All other expenses were 3%.

Property tax revenues increased from the prior year mainly due to an increase in property tax advances available. Total expenses decreased due to net pension liability and other post employment benefits liability.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	$2,906,548	$5,944,991	($1,422,614)	($4,413,390)
Support Services:				
Pupil and Instructional Staff	457,139	1,146,521	(308,609)	(867,127)
School Administrative, General Administration, Fiscal and Business	895,816	2,037,710	(456,096)	(1,648,620)
Operations and Maintenance	1,396,489	1,675,787	(1,146,463)	(1,392,779)
Pupil Transportation	8,244	10,496	(8,244)	(10,496)
Central	211,856	616,431	(183,562)	(599,094)
Operation of Non-Instructional Services	112,084	259,844	36,992	(115,763)
Extracurricular Activities	2,415	22,943	(2,415)	(22,943)
Interest and Fiscal Charges	186,098	171,343	(186,098)	(171,343)
Total Expenses	$6,176,689	$11,886,066	($3,677,109)	($9,241,555)

The District's Funds

The District has three major funds: the General Fund, Adult Education Fund, and the Construction Fund. Assets of the general fund comprised $13,590,277 (83.6%), assets of the adult education fund comprised $52,094 (0.3%), and assets of the construction fund comprised $1,849,285 (11.4%) of the total $16,251,351 governmental funds' assets.

General Fund: Fund balance at June 30, 2018 was $7,699,599 including $6,386,694 of unassigned balance. The primary reason for the increase in fund balance is due to the increase in property tax and intergovernmental revenue.

Adult Education Fund: Fund balance at June 30, 2018 was ($1,118,657) including ($1,118,664) of unassigned balance. The Fund balance remained constant with prior year.

Construction Fund: Fund balance at June 30, 2018 was $1,437,885 with an unassigned balance of $0. The Fund balance increased due to the issuance of long-term capital related debt in 2018.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was $9,128,438, compared to final budget estimates of $9,607,450. Of this $497,012 difference, most was due to underestimating taxes and intergovernmental revenues in the original budget.

For the General Fund, the original budget basis expenditures were $8,098,299 compared to final budget estimates of $7,819,857. The difference between the original budget basis and final budget was due to overestimating in instructional and operations and maintenance expenditures.

The District's ending unobligated actual fund balance for the general fund was $5,850,588.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2018, the District had $17,835,948 invested in land, land improvements, construction in progress, buildings and improvements, equipment and vehicles. Table 4 shows fiscal 2018 balances compared to 2017:

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

	Governmental Activities	
	2018	2017
Land	$2,089,087	$2,089,087
Land Improvements	566,825	612,560
Construction in Progress	1,145,218	0
Buildings and Improvements	12,907,492	13,586,834
Equipment	1,104,421	1,201,323
Vehicles	22,905	30,409
Total Net Capital Assets	$17,835,948	$17,520,213

The overall increase in capital assets is due to the start of multiple construction projects.

See Note 8 to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2018, the District had $6,475,269 in bonds and capital leases outstanding, $540,269 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2018	2017
Bonds Payable:		
2011 School Improvement Bond	$ 1,665,000	$ 1,845,000
2012 School Improvement Bond	1,465,000	1,610,000
2012 School Improvement Bond, Series B	400,000	440,000
2018 School Improvement Bond	1,745,000	0
Capital Lease Payable:		
Capital Leases	1,200,269	1,295,701
	$6,475,269	$5,190,701

See Notes 18 and 19 to the basic financial statements for further details on the District's long term liabilities.

For the Future

The District has a strong financial position. The Board of Education and the administration closely monitor the District's revenues and expenditures in accordance with its financial forecast and the District's Continuous Improvement Plan. The District's financial future is not without challenges, though. The nature of school funding in Ohio severely restricts the growth in the District's operating revenues and requires the District periodically seek additional funds from the taxpayers to offset rising operating costs.

In addition, the problem of limited growth in revenue, school districts are faced with the challenge of losing traditional sources of tax revenue through the Ohio General Assembly legislative actions.

Financial aid from the State of Ohio through the State Foundation Program has not been a major source of operating revenue for the District. Because the District is considered a wealthy district in terms of property values, it receives a relatively small amount of revenue from the State to fund operating expenses.

As a result of the challenges mentioned above, the District's administration and the District Finance Committee continue to carefully plan its expenditures to provide adequate resources to meet student needs over the next several years. The administration and the District's Task Force are currently reviewing all programs and services provided to students with the goal of reducing operating costs.

Contacting the District's Financial Management

This report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, at Auburn Vocational School District, 8140 Auburn Road, Concord Township, Ohio 44077.

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Auburn Vocational School District, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	$8,561,982
Receivables:	
Taxes	6,259,996
Accounts	51,499
Intergovernmental	69,510
Accrued Interest	8,890
Property Held for Resale	75,495
Prepaid Items	798
Inventory	2,653
Nondepreciable Capital Assets	3,234,305
Depreciable Capital Assets, Net	14,601,643
Total Assets	32,866,771
Deferred Outflows of Resources:	
Pension	3,268,028
OPEB	111,983
Total Deferred Outflows of Resources	3,380,011
Liabilities:	
Accounts Payable	112,841
Contracts Payable	718,491
Accrued Interest Payable	16,790
Accrued Wages	652,470
Long-Term Liabilities:	
Due Within One Year	657,771
Due In More Than One Year:	
Net Pension Liability	11,591,004
Net OPEB Liability	2,691,046
Other Amounts	6,298,397
Total Liabilities	22,738,810
Deferred Inflows of Resources:	
Property Taxes	4,790,193
Pension	1,411,164
OPEB	323,438
Total Deferred Inflows of Resources	6,524,795
Net Position:	
Net Investment in Capital Assets	13,155,461
Restricted for:	
Federally Funded Programs	3,148
Other Purposes	229,205
Unrestricted	(6,404,637)
Total Net Position	$6,983,177

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Special	$50,148	$0	$0	($50,148)
Vocational	2,437,469	44,575	461,802	(1,931,092)
Adult/Continuing	418,931	681,104	296,453	558,626
Support Services:				
Pupil	339,574	15,961	132,494	(191,119)
Instructional Staff	117,565	0	75	(117,490)
Board of Education	46,946	0	0	(46,946)
Administration	570,917	316,862	96,789	(157,266)
Fiscal	267,598	21,020	5,049	(241,529)
Business	10,355	0	0	(10,355)
Operations and Maintenance	1,396,489	217,822	32,204	(1,146,463)
Pupil Transportation	8,244	0	0	(8,244)
Central	211,856	0	28,294	(183,562)
Other Non-instructional services	112,084	88,537	60,539	36,992
Extracurricular Activities	2,415	0	0	(2,415)
Interest and Fiscal Charges	186,098	0	0	(186,098)
Totals	$6,176,689	$1,385,881	$1,113,699	(3,677,109)

General Revenues:	
Property Taxes Levied for:	
General Purposes	6,051,109
Debt Service Purposes	480,145
Grants and Contributions not restricted	3,083,973
Investment Earnings	26,436
Other Revenues	276,585
Gain on the Sale of Property Held for Resale	190,163
Total General Revenues	10,108,411
Change in Net Position	6,431,302
Net Position - Beginning of Year, Restated	551,875
Net Position - End of Year	$6,983,177

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General	Adult Education	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	$5,973,279	$51,945	$1,849,285	$687,473	$8,561,982
Receivables:					
Taxes	6,259,996	0	0	0	6,259,996
Accounts	51,301	142	0	56	51,499
Intergovernmental	0	0	0	69,510	69,510
Accrued Interest	8,890	0	0	0	8,890
Interfund	1,220,528	0	0	0	1,220,528
Property Held for Resale	75,495	0	0	0	75,495
Prepaid Items	788	7	0	3	798
Inventory	0	0	0	2,653	2,653
Total Assets	13,590,277	52,094	1,849,285	759,695	16,251,351
Liabilities:					
Accounts Payable	46,564	10,061	0	56,216	112,841
Contracts Payable	6,877	0	411,400	300,214	718,491
Accured Wages	644,540	5,690	0	2,240	652,470
Matured Compensated absences payable	105,405	0	0	0	105,405
Interfund Payable	11,940	1,155,000	0	53,588	1,220,528
Total Liabilities	815,326	1,170,751	411,400	412,258	2,809,735
Deferred Inflows of Resources:					
Property Taxes	5,072,078	0	0	0	5,072,078
Grants	0	0	0	21,328	21,328
Investment Earnings	3,274	0	0	0	3,274
Total Deferred Inflows of Resources	5,075,352	0	0	21,328	5,096,680
Fund Balances:					
Nonspendable	1,231,283	7	0	3	1,231,293
Restricted	0	0	1,437,885	243,616	1,681,501
Committed	0	0	0	101,725	101,725
Assigned	81,622	0	0	0	81,622
Unassigned	6,386,694	(1,118,664)	0	(19,235)	5,248,795
Total Fund Balances	7,699,599	(1,118,657)	1,437,885	326,109	8,344,936
Total Liabilities, Deferred Inflows and Fund Balances	$13,590,277	$52,094	$1,849,285	$759,695	$16,251,351

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balance		$8,344,936
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		17,835,948
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	281,885	
Interest	3,274	
Intergovernmental	21,328	
		306,487
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(16,790)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(375,494)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	3,268,028	
Deferred inflows of resources related to pensions	(1,411,164)	
Deferred outflows of resources related to OPEB	111,983	
Deferred inflows of resources related to OPEB	(323,438)	
		1,645,409
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(11,591,004)	
Net OPEB Liability	(2,691,046)	
Other Amounts	(6,475,269)	
		(20,757,319)
Net Position of Governmental Activities		$6,983,177

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Adult Education	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	$6,047,120	$0	$0	$480,145	$6,527,265
Tuition and Fees	44,576	1,068,801	0	0	1,113,377
Investment Earnings	23,162	0	0	0	23,162
Intergovernmental	3,202,918	256,750	0	732,520	4,192,188
Charges for Services	30,140	0	0	61,832	91,972
Other Revenues	191,622	96,670	158,200	14,059	460,551
Total Revenues	9,539,538	1,422,221	158,200	1,288,556	12,408,515
Expenditures:					
Current:					
Instruction:					
Special	92,923	0	0	0	92,923
Vocational	3,699,678	0	0	382,894	4,082,572
Adult/Continuing	0	930,501	0	109,520	1,040,021
Support Services:					
Pupil	676,013	10,291	0	124,867	811,171
Instructional Staff	1,081	0	0	3,557	4,638
Board of Education	65,456	0	0	0	65,456
Administration	1,010,392	438,080	0	32,272	1,480,744
Fiscal	488,385	28,802	0	0	517,187
Business	10,355	0	0	0	10,355
Operations and Maintenance	1,233,774	46,408	0	37,419	1,317,601
Pupil Transportation	10,763	0	0	0	10,763
Central	354,008	0	0	63,981	417,989
Other Non-instructional services	23,989	0	0	181,823	205,812
Extracurricular Activities	9,298	0	0	0	9,298
Capital Outlay	305,517	0	556,943	437,123	1,299,583
Debt Service:					
Principal Retirement	20,432	0	75,000	365,000	460,432
Interest and Fiscal Charges	821	0	39,317	115,145	155,283
Issuance Cost	0	0	27,000	0	27,000
Total Expenditures	8,002,885	1,454,082	698,260	1,853,601	12,008,828
Excess of Revenues Over (Under) Expenditures	1,536,653	(31,861)	(540,060)	(565,045)	399,687
Other Financing Sources (Uses):					
Issuance of Long-Term Capital-Related Debt	0	0	1,745,000	0	1,745,000
Gain on the Sale of Property Held for Resale	190,163	0	0	0	190,163
Transfers In	0	0	0	412,668	412,668
Transfers (Out)	(412,668)	0	0	0	(412,668)
Total Other Financing Sources (Uses)	(222,505)	0	1,745,000	412,668	1,935,163
Net Change in Fund Balance	1,314,148	(31,861)	1,204,940	(152,377)	2,334,850
Fund Balance - Beginning of Year	6,385,451	(1,086,796)	232,945	478,486	6,010,086
Fund Balance - End of Year	$7,699,599	($1,118,657)	$1,437,885	$326,109	$8,344,936

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Funds		$2,334,850
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	1,276,298	
Depreciation Expense	(960,563)	
		315,735
Governmental funds report district pension contributions as expenditures. However in the Statement of Activites, the cost of pension benefits earned net of employee contributions is reported as pension and OPEB expense.		
District pension contributions for pension	757,522	
Cost of benefits earned net of employee contrbutions for pension	3,774,218	
District pension contributions for OPEB	29,726	
Cost of benefits earned net of employee contrbutions for OPEB	379,643	
		4,941,109
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	3,989	
Interest	3,274	
Intergovernmental	2,050	
		9,313
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		460,432
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		(3,815)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences		118,678
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		(1,745,000)
Change in Net Position of Governmental Activities		$6,431,302

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2018

	Agency
Assets:	
Equity in Pooled Cash and Investments	$92,631
Total Assets	92,631
Liabilities:	
Accounts Payable	1,350
Other Liabilities	91,281
Total Liabilities	$92,631

See accompanying notes to the basic financial statements.

Note 1 – Description of the District

The Auburn Vocational School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Auburn Vocational School District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. This District operates under an elected Board of Education (11 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of June 30, 2018 was 587. The District employed 45 certificated employees and 29 non-certificated full-time employees.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements are not misleading. The primary government of the District consists of only the funds of those organizational entities for which its elected governing body is financially accountable. For the District, this includes education, food service and maintenance of the District facilities.

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

The District is associated with two jointly governed organizations, a claims servicing pool, and an insurance purchasing pool. These organizations are:

- Jointly Governed Organizations:
  - Ohio Schools Council
  - Lake-Geauga Computer Association
- Claims Servicing Pool:
  - Health Care Benefits Program of Lake County Schools Council
- Insurance Purchasing Pools:
  - Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program

These organizations are presented in Notes 9, 13, and 14.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. For fiscal year 2018, the District has no proprietary funds.

Governmental Funds

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

General Fund – The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Adult Education Fund – The adult education special revenue fund is used to account for grants and tuition associated with providing education to adults.

Construction Fund – The construction fund, a capital projects fund is used to account for the construction of buildings and improvements.

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

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. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are, therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund are two agency funds which accounts for district and student activities.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. For more pension related information and OPEB plans, see Notes 10 and 11.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants, pension, OPEB plans and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance the fiscal year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 10 and 11.

Expenses/Expenditures

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

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

Cash and Investments

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

Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts are reported at cost.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year 2018 amounted to $23,162 in the general fund.

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

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws or other governments or imposed by enabling legislation.

Prepaid Items

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

Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated foods, purchased foods, school supplies and homes being built by students held for resale and material and supplies for consumption.

Capital Assets

All capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	5 - 20 years
Building and Building Improvements	10 - 50 years
Furniture and Equipment	5 - 10 years
Vehicles	10 years
Library and Text Books	6 years

Pensions/Other Postemployment Benefits (OPEB)

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

The current accounting standard requires School District's to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. Under the new standards, the net pension liability equals the District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the District. However, the District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. The District has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statue does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

Accrued Liabilities and Long Term Obligations

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Fund Balance

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

Nonspendable – Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Assigned – Assigned fund balance classifications are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

Interfund Activity

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

Estimates

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

Note 3 – Fund Balances

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

Fund Balances	**General**	**Adult Education**	**Construction Fund**	**Other Governmental Funds**	**Total**
Nonspendable on:					
Property Held for Resale	$75,495	$0	$0	$0	$75,495
Prepaids	788	7	0	3	798
Long Term Advances	1,155,000	0	0	0	1,155,000
Total Nonspendable	1,231,283	7	0	3	1,231,293
Restricted for:					
Lunchroom	0	0	0	2,656	2,656
Lake County Family & Children Wellness Block	0	0	0	229,205	229,205
Construction Fund	0	0	1,437,885	0	1,437,885
Adult Basic Education	0	0	0	11,755	11,755
Total Restricted	0	0	1,437,885	243,616	1,681,501
Committed to:					
Capital Projects	0	0	0	101,725	101,725
Total Committed	0	0	0	101,725	101,725
Assigned to:					
Public Schools	9,731	0	0	0	9,731
Encumbrances	71,891	0	0	0	71,891
Total Assigned	81,622	0	0	0	81,622
Unassigned	6,386,694	(1,118,664)	0	(19,235)	5,248,795
Total Fund Balance	$7,699,599	($1,118,657)	$ 1,437,885	$326,109	$8,344,936

Note 4 – Accountability

The following funds had a deficit fund balance as of June 30, 2018:

Fund	Amount
Major Fund:	
Adult education	$1,118,657
Other Governmental Funds:	
Vocational Ed. Carl D. Perkins	19,235

The general fund is responsible to cover deficit fund balances by means of a transfer or advance. However, this is done when cash is needed rather than when accruals occur.

Note 5 – Deposits and Investments

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies may be deposited or invested in the following securities:

(1) United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

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

(4) Bonds and other obligations of the State of Ohio;

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

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

(7) Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days 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 interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on hand – At fiscal year end, the District had $687 in undeposited cash on hand, which is included in the balance sheet of the District as part of equity in pooled cash and cash investments.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, $6,018,721 of the District's bank balance of $6,268,721 was exposed to custodial credit risk because it was uninsured and collateralized.

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

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

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

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in the amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or a specific collateral held at the Federal Reserve Bank in the name of the District.

Investments

Investments are reported at fair value. As of June 30, 2018, the District had the following investments:

	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Negotiable CDs	$2,289,702	Level 2	1.06
Money Market Funds	8,346	N/A	0.00
STAR Ohio	103,152	N/A	0.12
Total Fair Value	$2,401,200		

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2018. STAR Ohio is reported at its share price (Net Asset value per share).

Interest Rate Risk – It is the possibility that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in investments so that the securities mature to meet cash requirements for ongoing operations and long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than four years.

Credit Risk – It is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Investments in STAR Ohio were rated AAAm by Standard and Poor's. Negotiable CDs and Money Market Funds were not rated.

Concentration of Credit Risk – The District's investment policy requires investments to be diversified to reduce the risk of loss. The District's policy allows investments in U.S. Agencies or instrumentalities. The District has invested 95% in negotiable CDs, 1% in money market funds, and 4% in STAR Ohio.

Note 6 – Property Taxes

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

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

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

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

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

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

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

	Lake County	Geauga County	Trumbull County
Real property - 2017 valuations			
Residential/agricultural	$1,789,366,570	$1,941,204,820	$5,704
Other	318,335,310	299,071,930	160
Tangible and Public Utility Personal			
Public utilities	192,725,850	77,339,620	104
Total	$2,300,427,730	$2,317,616,370	$5,968

Note 7 – Receivables

Receivables at June 30, 2018 consisted of taxes, accounts, interfund, intergovernmental grants, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds.

Note 8 – Capital Assets and Property Held for Resale

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

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	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$2,089,087	$0	$0	$2,089,087
Construction in Progress	0	1,145,218	0	1,145,218
Capital Assets, being depreciated:				
Land Improvements	1,442,465	0	0	1,442,465
Buildings and Improvements	23,721,478	0	0	23,721,478
Furniture, Fixtures and Equipment	6,726,914	131,080	0	6,857,994
Vehicles	190,231	0	0	190,231
Totals at Historical Cost	34,170,175	1,276,298	0	35,446,473
Less Accumulated Depreciation:				
Land Improvements	829,905	45,735	0	875,640
Building Improvements	10,134,644	679,342	0	10,813,986
Furniture, Fixtures and Equipment	5,525,591	227,982	0	5,753,573
Vehicles	159,822	7,504	0	167,326
Total Accumulated Depreciation	16,649,962	960,563	0	17,610,525
Governmental Activities Capital Assets, Net	$17,520,213	$315,735	$0	$17,835,948

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	$431,390
Adult Education	6,052
Support Services:	
Pupils	3,842
Instructional Staff	115,172
School Administration	2,401
Fiscal	192
Operations and Maintenance	360,787
Pupil Transportation	288
Central	36,597
Operation of Non-Instructional Services	3,842
Total Depreciation Expense	$960,563

Property Held for Resale

Property held for resale of $75,495 was purchased by the District for housing projects built by the District students. Proceeds from the sale of the land and house will be used for subsequent projects. The sale date of the property cannot be estimated, therefore is included as a long-term asset.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Property held for resale	$60,493	$75,495	$60,493	$75,495

Note 9 – Risk Management

Property and Liability

The District has contracted with an independent third party for their property and casualty insurance program. The program includes property insurance (which includes flood, earthquake, inland marine, crime and boiler and machinery), general liability insurance with limits of $1,000,000 each occurrence and $2,000,000 aggregate and sexual misconduct and molestation insurance and school leaders E&O insurance with limits of $1,000,000 each occurrence and aggregate. The auto liability insurance coverage has limits of $1,000,000 combined single limit each accident. The District's property and casualty insurance program also has an umbrella liability insurance policy with limits of $5,000,000 each occurrence and $5,000,000 aggregate.

The liability policy insures the District, the Board, the board members, administrators, employees, and volunteers with respect to their duties in connection with the District.

Settled claims have not exceeded the property and casualty coverage in any of the last three years. There has not been a reduction in coverage from the prior year.

Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (GRRP), an insurance rating pool. The intent of the GRRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRRP. Participation in the GRRP is limited to school districts that can meet the GRRP's selection criteria. The firm of Sheakley Uniservice provides administrative, cost control and actuarial services to the GRRP.

Note 10 - Defined Benefit Pension Plans

Net Pension Liability

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

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

Ohio Revised Code limits the obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions are financed; however, the employer 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.

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 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; 2.20% for the first thirty years of service and 2.50% for years of service credit over 30 or $86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

Post-Retirement Increases – Before January 1, 2018; on each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit. On or after January 1, 2018; on each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLA's shall be suspended for calendar years 2018, 2019, and 2020.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the employer 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% was allocated to the Health Care Fund.

The contractually required contribution to SERS was $200,038 for fiscal year 2018. Of this amount $53,310 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The employer was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was $557,484 for fiscal year 2018. Of this amount $44,175 is reported as accrued wages and benefits.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$2,915,113	$8,675,891	$11,591,004
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04879030%	0.03652205%	
Prior Measurement Date	0.04941280%	0.03698745%	
Change in Proportionate Share	-0.00062250%	-0.00046540%	
Pension Expense	($130,710)	($3,643,508)	($3,774,218)

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

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$125,456	$335,022	$460,478
Changes of assumptions	150,743	1,897,513	2,048,256
Changes in employer proportionate share of net pension liability	1,772	0	1,772
Contributions subsequent to the measurement date	200,038	557,484	757,522
Total Deferred Outflows of Resources	$478,009	$2,790,019	$3,268,028
Differences between expected and actual experience	$0	$69,924	$69,924
Net difference between projected and actual earnings on pension plan investments	13,837	286,315	300,152
Changes in employer proportionate share of net pension liability	45,875	995,213	1,041,088
Total Deferred Inflows of Resources	$59,712	$1,351,452	$1,411,164

$757,522 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	$93,963	$53,579	$147,542
2020	156,125	176,269	332,394
2021	36,128	499,671	535,799
2022	(67,957)	151,564	83,607
Total	$218,259	$881,083	$1,099,342

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015

Prior to 2017, an assumption of 3.0% was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable 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 long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

Discount Rate

The total pension liability was calculated using the discount rate of 7.50%. 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 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.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	$4,045,419	$2,915,113	$1,968,251

Changes in Benefit Terms

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Actuarial Assumptions - STRS

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

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	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

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

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

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

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

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table represents the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45% or one percentage point higher 8.45% than the current assumption:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	$12,436,595	$8,675,891	$5,508,062

Changes in Assumptions

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

Changes in Benefit Terms

Effective July 1, 2017, the COLA was reduced to zero.

Note 11 – Defined Benefit Other Postemployment Benefits (OPEB) Plans

Net Other Postemployment Benefits (OPEB) Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% 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 2018, the surcharge obligation was $22,317.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $29,726 for fiscal year 2018. Of this amount $22,317 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	$1,266,090	$1,424,956	$2,691,046
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.04717640%	0.03652205%	
Prior Measurement Date	0.04731615%	0.03698745%	
Change in Proportionate Share	-0.00013975%	-0.00046540%	
OPEB Expense	$58,732	($438,375)	($379,643)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$82,257	$82,257
Contributions subsequent to the measurement date	29,726	0	29,726
Total Deferred Outflows of Resources	$29,726	$82,257	$111,983
Deferred Inflows of Resources			
Changes of assumptions	$120,145	$114,785	$234,930
Net difference between projected and actual earnings on pension plan investments	3,344	60,906	64,250
Changes in employer proportionate share of net penson liability	2,924	21,334	24,258
Total Deferred Inflows of Resources	$126,413	$197,025	$323,438

$29,726 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	($45,426)	($24,204)	($69,630)
2020	(45,426)	(24,204)	(69,630)
2021	(34,725)	(24,203)	(58,928)
2022	(836)	(24,203)	(25,039)
2023	0	(8,977)	(8,977)
Thereafter	0	(8,977)	(8,977)
Total	($126,413)	($114,768)	($241,181)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	$1,528,966	$1,266,090	$1,057,826

	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	$1,027,338	$1,266,090	$1,582,084

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Actuarial Assumptions - STRS

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

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017
Blended Discount Rate of Return	4.13%
Health Care Cost Trends	6.00% to 11.00% initial, 4.5% ultimate

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

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

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

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

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

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

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	$1,912,980	$1,424,956	$1,039,257

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	$989,998	$1,424,956	$1,997,411

Changes in Assumptions – STRS

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

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

Note 12 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, an employee is paid for the accumulated sick days over 30 days up to a maximum of 300 accumulated sick days.

Note 13 – Jointly Governed Organizations

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 200 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-five northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

Lake-Geauga Computer Association

The Lake-Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. Each of the governments of these schools supports LGCA based on a per pupil charge. The degree of control exercised by any participating school district is limited to its representation on the Assembly. Continued existence of the LGCA Computer Center is not dependent on the District's continued participation. Financial information can be obtained from LGCA, 8221 Auburn Road, Painesville, OH 44077.

Note 14 – Claims Servicing Pool

The District participates in the Health Care Benefits Program of Lake County Schools Council (the Program), a claims servicing pool comprised of eleven Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five-member Board of Directors elected by the Program's assembly. The assembly elects officers for one-year terms to serve on the Board of Directors. The District pays a monthly contribution, which is placed in a common fund from which the claim payments are made for all participating school districts. Claims are paid for all participants regardless of claim flow. The program is operated as a full indemnity program with no financial liability (other than the monthly premiums) or risk to the District. The Program shall pay the run out of all claims for a withdrawing member. Any member that withdraws from the Program pursuant to the Program Agreement shall have no claim to the Program's assets. Financial information can be obtained from the Treasurer, Madison Local School District, 1956 Red Bird Road, Madison, OH 44057.

Note 15 – Contingencies

Foundation Funding

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

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

Litigation

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

Note 16 – Interfund Transactions

Interfund transactions at June 30, 2018, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	$1,220,528	$11,940	$0	$412,668
Adult Education Fund	0	1,155,000	0	0
Other Governmental Funds	0	53,588	412,668	0
Total all funds	$1,220,528	$1,220,528	$412,668	$412,668

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2018, the $53,588 interfund loan outstanding is anticipated to be repaid in fiscal year 2019. The $1,155,000 interfund loans outstanding are classified as long-term and are anticipated to be repaid in installments of $100,000 until the loan is paid off.

Transfers are used to (1) move revenues from the fund that statue or budget requires to collect them to the fund that statue or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 17 – Set-Asides

The District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Although the District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.
The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2017	$0
Current Year Set Aside Requirements	63,927
Current Year Offsets	(63,927)
Set Aside Balance as of June 30, 2018	$0
and carried forward to future fiscal years	$0

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Note 18 – Long-Term Obligations

Changes in long-term obligations of the District during fiscal year 2018 were as follows:

	Rate	Restated Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
2011 School Improvement Bond	3.61%	$1,845,000	$0	$180,000	$1,665,000	$185,000
2012 School Improvement Bond	2.34%	1,610,000	0	145,000	1,465,000	150,000
2012 School Improvement Bond - Series B	2.48%	440,000	0	40,000	400,000	40,000
2018 School Improvement Bond		0	1,745,000	0	1,745,000	85,000
Subtotal General Obligation Bonds		3,895,000	1,745,000	365,000	5,275,000	460,000
Capital Leases		1,295,701	0	95,432	1,200,269	80,269
Compensated Absences		532,413	49,034	100,548	480,899	117,502
Subtotal Bonds and Other Amounts		5,723,114	1,794,034	560,980	6,956,168	657,771
Net Pension Liability:						
STRS		12,380,814	0	3,704,923	8,675,891	0
SERS		3,616,561	0	701,448	2,915,113	0
Total Net Pension Liability		15,997,375	0	4,406,371	11,591,004	0
Net OPEB Liability:						
STRS		1,978,098	0	553,142	1,424,956	0
SERS		1,348,686	0	82,596	1,266,090	0
Total Net OPEB Liability		3,326,784	0	635,738	2,691,046	0
Total Long-Term Obligations		$25,047,273	$1,794,034	$5,603,089	$21,238,218	$657,771

General Obligation Bonds: General obligation bonds are direct obligations of the District for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from voted and unvoted general property taxes. Property tax monies will be received in and the debt will be repaid from the bond retirement debt service fund.

In March 2018, the District issued $1,745,000 in general obligation bonds with an interest rate of 3.04% for the purpose of renovating, rehabilitating, furnishing and equipping, and otherwise improving school buildings, facilities, and improving their sites. These bonds are to be repaid from the construction fund and are scheduled to mature in June, 2033.

On July 20, 2011, the District issued $2,800,000 in general obligation bonds which include serial bonds with an interest rate of 3.61% for the purpose of construction, renovating, rehabilitating and equipping school facilities, including installations, modifications and remodeling of school buildings to conserve energy.

In August 2012, the District issued $2,300,000 in School Improvement Bonds for the purpose of constructing, renovating, rehabilitating, equipping and remodeling school facilities to conserve energy. The first payment on these bonds was due on December 1, 2012. These bonds are to be repaid from the debt service fund and are scheduled to mature in June, 2027.

In November 2012, the District issued $600,000 in School Improvement Bonds for the purpose of constructing a new school facility for the District's industrial arts program. The first payment on the bonds was due on June 1, 2013. These bonds are to be repaid from the debt service fund and are scheduled to mature in June, 2027.

Compensated absences will be paid from the fund from which the employees' are paid.

The District pays pension and OPEB obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to amortize all bonds outstanding at June 30, 2018 are as follows:

Fiscal Year	General Obligation Bonds		
Ending June 30	Principal	Interest	Total
2019	$460,000	$157,356	$617,356
2020	470,000	143,592	613,592
2021	485,000	129,496	614,496
2022	510,000	114,948	624,948
2023	515,000	99,628	614,628
2024-2028	2,135,000	262,978	2,397,978
2029-2033	700,000	65,360	765,360
Total	$5,275,000	$973,358	$6,248,358

Note 19 – Capitalized Leases – Lessee Disclosure

During a prior fiscal year, the District entered into a capitalized lease agreement for the acquisition of copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as equipment in the amount of $93,852, which is equal to the present value of the future minimum lease payments on the government-wide financial statements.

In September 2015, the District entered into a capitalized lease agreement for the acquisition of building additions. Capital assets acquired by lease have been capitalized as building additions in the amounts of $1,007,177 through 2016, which is equal to present value of the future minimum lease payments on the government-wide financial statements.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

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Fiscal Year Ending June 30	Lease
2019	$117,237
2020	114,452
2021	111,900
2022	114,268
2023	111,557
2024-2028	559,321
2029-2031	335,472
Total Minimum Lease Payments	$1,464,207
Amount Representing Interest	(263,938)
Present Value of Minimum Lease Payments	$1,200,269

Note 20 – Operating Lease – Lessor Disclosure

The District collectively the "lessor") entered into an agreement to lease certain space in the building at 8221 Auburn Road, Concord Township, Ohio 44077 to Lake County Educational Service Center and Lake Geauga Computer Association. The lease was effective May 1, 2016 through April 30, 2035, and May 1 2016 through May 31, 2036. Monthly payments were established at $5,417 per month and $4,583 per month, respectively.

For Lake County Educational Service Center, this agreement shall be cancelled should the General Assembly adapt legislation eliminating Educational Service Centers or that eliminates the need to administer ESC's. For Lake Geauga Computer Association, this agreement may be cancelled upon the determination by the lessor that the premises is needed for Auburn Career Center Vocational District purposes.

Note 21 – Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended June 30, 2018, the District has implemented GASB Statement No. 81, Irrevocable Split-Interest Agreements, GASB Statement No. 82, Pensions Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73, and GASB No. 86, Certain Debt Extinguishment Issues, and GASB Statement No. 85, Omnibus 2017, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

GASB Statement No. 81 sets out to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The implementation of GASB Statement No. 82 was included in the footnote disclosures for 2018.

GASB Statement No. 86 sets out to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

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

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

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Net position June 30, 2017	$3,863,745
Adjustments:	
Net OPEB Liabililty	(3,326,784)
Deferred Outflow - Payments Subsequent to Measurement Date	14,914
Restated Net Position June 30, 2017	$551,875

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

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REQUIRED SUPPLEMENTARY INFORMATION

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	$5,918,594	$6,229,171	$6,252,178	$23,007
Tuition and Fees	42,197	44,411	44,575	164
Investment Earnings	47,658	50,159	50,344	185
Intergovernmental	3,033,290	3,192,461	3,204,252	11,791
Charges for Services	3,252	3,422	3,435	13
Other Revenues	83,447	87,826	88,150	324
Total Revenues	9,128,438	9,607,450	9,642,934	35,484
Expenditures:				
Current:				
Instruction:				
Special	143,949	139,000	139,429	(429)
Vocational	3,683,464	3,556,817	3,567,792	(10,975)
Support Services:				
Pupil	693,915	670,056	672,124	(2,068)
Instructional Staff	1,116	1,078	1,081	(3)
General Administration	84,291	81,393	81,644	(251)
School Administration	1,067,844	1,031,128	1,034,310	(3,182)
Fiscal	501,450	484,209	485,703	(1,494)
Business	10,691	10,323	10,355	(32)
Operations and Maintenance	1,322,447	1,276,978	1,280,918	(3,940)
Pupil Transportation	11,112	10,730	10,763	(33)
Central	227,800	219,967	220,646	(679)
Operation of Non-Instructional Services	83	80	80	0
Extracurricular Activities	9,599	9,269	9,298	(29)
Capital Outlay	340,538	328,829	329,844	(1,015)
Total Expenditures	8,098,299	7,819,857	7,843,987	(24,130)
Excess of Revenues Over (Under) Expenditures	1,030,139	1,787,593	1,798,947	11,354
Other Financing Sources (Uses):				
Proceeds from Sale of Property Held for Resale	237,282	249,734	250,656	922
Advances In	54,446	57,303	57,515	212
Advances (Out)	(85,142)	(82,214)	(82,468)	(254)
Transfers (Out)	(1,051,743)	(1,015,581)	(1,018,715)	(3,134)
Total Other Financing Sources (Uses)	(845,157)	(790,758)	(793,012)	(2,254)
Net Change in Fund Balance	184,982	996,835	1,005,935	9,100
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	4,844,653	4,844,653	4,844,653	0
Fund Balance - End of Year	$5,029,635	$5,841,488	$5,850,588	$9,100

See accompanying notes to the basic financial statements.

	Adult Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Tuition and Fees	$1,062,457	$1,046,592	$1,068,801	$22,209
Intergovernmental	255,226	251,415	256,750	5,335
Other Revenues	99,359	97,875	99,952	2,077
Total Revenues	1,417,042	1,395,882	1,425,503	29,621
Expenditures:				
Current:				
Instruction:				
Adult/Continuing	935,712	951,674	953,634	(1,960)
Support Services:				
Pupil	25,385	25,818	25,871	(53)
School Administration	427,469	434,761	435,656	(895)
Fiscal	28,261	28,743	28,802	(59)
Operations and Maintenance	45,663	46,442	46,538	(96)
Total Expenditures	1,462,490	1,487,438	1,490,501	(3,063)
Net Change in Fund Balance	(45,448)	(91,556)	(64,998)	26,558
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	94,239	94,239	94,239	0
Fund Balance - End of Year	$48,791	$2,683	$29,241	$26,558

See accompanying notes to the basic financial statements.

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2018.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis to the budgetary basis for the General Fund and the Adult Education Fund.

Net Change in Fund Balance

	General	Adult Education
GAAP Basis	$1,314,148	($31,861)
Revenue Accruals	103,396	3,282
Expenditure Accruals	274,250	(13,711)
Gain on the Sale of Property Held for Resale	60,493	0
Transfers (Out)	(606,047)	0
Advances In	57,515	0
Advances (Out)	(82,468)	0
Encumbrances	(115,351)	(22,708)
Funds Budgeted Elsewhere	(1)	0
Budget Basis	$1,005,935	($64,998)

Note 2 - SERS Change in Assumptions-Net Pension Liability

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Note 3 - STRS Change in Assumptions and Benefit Terms-Net Pension Liability

Changes in Assumptions

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

Changes in Benefit Terms

Effective July 1, 2017, the COLA was reduced to zero.

Note 4 - SERS Change in Assumptions-Net OPEB Liability

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Note 5 - STRS Change in Assumptions-Net OPEB Liability

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

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

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.03652205%	0.03698745%	0.04169039%	0.04243876%	0.04243880%
District's Proportionate Share of the Net Pension Liability	$8,675,891	$12,380,814	$11,522,004	$10,322,575	$12,296,184
District's Covered-Employee Payroll	$4,356,214	$4,304,693	$4,351,193	$4,669,615	$4,476,338
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	199.16%	287.61%	264.80%	221.06%	274.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.04879030%	0.04941280%	0.05007890%	0.04996800%	0.04996800%
District's Proportionate Share of the Net Pension Liability	$2,915,113	$3,616,561	$2,857,551	$2,528,852	$2,971,437
District's Covered-Employee Payroll	$1,610,021	$1,633,586	$1,385,220	$1,466,638	$1,253,591
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	181.06%	221.39%	206.29%	172.43%	237.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
Required Supplementary Information
Schedule of District Contributions
for Net Pension Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually Required Contribution	$557,484	$609,870	$602,657	$609,167	$607,050
Contributions in Relation to the Contractually Required Contribution	(557,484)	(609,870)	(602,657)	(609,167)	(607,050)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
District Covered-Employee Payroll	$3,982,029	$4,356,214	$4,304,693	$4,351,193	$4,669,615
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%

See accompanying notes to the required supplementary information.

2013	2012	2011	2010	2009
$581,924	$576,721	$653,466	$686,469	$645,514
(581,924)	(576,721)	(653,466)	(686,469)	(645,514)
$0	$0	$0	$0	$0
$4,476,338	$4,436,315	$5,026,662	$5,280,531	$4,965,492
13.00%	13.00%	13.00%	13.00%	13.00%

Auburn Vocational School District, Ohio
Required Supplementary Information
Schedule of District Contributions
for Net Pension Liability
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually Required Contribution	$200,038	$225,403	$228,702	$182,572	$203,276
Contributions in Relation to the Contractually Required Contribution	(200,038)	(225,403)	(228,702)	(182,572)	(203,276)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
District Covered-Employee Payroll	$1,481,763	$1,610,021	$1,633,586	$1,385,220	$1,466,638
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%	13.86%

See accompanying notes to the required supplementary information.

2013	2012	2011	2010	2009
$173,497	$212,169	$215,744	$252,823	$170,703
(173,497)	(212,169)	(215,744)	(252,823)	(170,703)
$0	$0	$0	$0	$0
$1,253,591	$1,577,465	$1,716,340	$1,867,230	$1,734,787
13.84%	13.45%	12.57%	13.54%	9.84%

Auburn Vocational School District, Ohio
Required Supplementary Information
Schedule of the District's Proportionate Share
of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
District's Proportion of the Net OPEB Liability	0.03652205%	0.03698745%
District's Proportionate Share of the Net OPEB Liability	$1,424,956	$1,978,099
District's Covered-Employee Payroll	$4,356,214	$4,304,693
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	32.71%	45.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
Required Supplementary Information
Schedule of the District's Proportionate Share
of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
District's Proportion of the Net OPEB Liability	0.03652205%	0.03698745%
District's Proportionate Share of the Net OPEB Liability	$1,266,090	$1,978,099
District's Covered-Employee Payroll	$4,356,214	$4,304,693
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	29.06%	45.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
Required Supplementary Information
Schedule of District Contributions to
Postemployment Benefits Other Than Pension (OPEB)
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB	$0	$0	$0
Contributions to OPEB in Relation to the Contractually Required Contribution	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0
District Covered-Employee Payroll	$3,982,029	$4,356,214	$4,304,693
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
Required Supplementary Information
Schedule of District Contributions to
Postemployment Benefits Other Than Pension (OPEB)
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB (2)	$29,726	$14,914	$12,107
Contributions to OPEB in Relation to the Contractually Required Contribution	(29,726)	(14,914)	(12,107)
Contribution Deficiency (Excess)	$0	$0	$0
District Covered-Employee Payroll	$1,481,763	$1,610,021	$1,633,586
Contributions to OPEB as a Percentage of Covered-Employee Payroll	2.01%	0.93%	0.74%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

Auburn Vocational School District

Single Audit Reports

June 30, 2018

PLATTENBURG
Certified Public Accountants

AUBURN VOCATIONAL SCHOOL DISTRICT

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

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	3L70	10.553	$9,485	$0
National School Lunch Program	3L60	10.555	43,072	7,055
Total Child Nutrition Cluster			52,557	7,055
Total U.S. Department of Agriculture			52,557	7,055
U.S. DEPARTMENT OF EDUCATION				
Direct Assistance:				
Rural Education	N/A	84.358	50,965	0
Student Financial Assistance Cluster:				
Federal Pell Grant Program	N/A	84.063	273,219	0
Federal Direct Student Loans	N/A	84.268	527,915	0
Total Student Financial Assistance Cluster			801,134	0
Passed Through Ohio Department of Education:				
Adult Education - Basic Grants to States	AE15	84.002	254,075	0
Career and Technical Education - Basic Grants to States	3L90	84.048	284,321	0
Total U.S Department of Education			1,390,495	0
Total Federal Assistance			$1,443,052	$7,055

See accompanying notes to the schedule of expenditures of federal awards.

AUBURN VOCATIONAL SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2: FEDERAL DIRECT LOAN PROGRAM

The District participates in the Federal Direct Loan Program. The District originates the loans which are then funded through the U.S. Department of Education.

CFDA Number	Program Name	Amount
84.268	Federal Subsidized Loans	$207,802
84.268	Federal Unsubsidized Loans	320,113
	Total Federal Direct Student Loans	$527,915

NOTE 3: NUTRITION CLUSTER

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

NOTE 4: FOOD DONATION PROGRAM

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

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

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Auburn Vocational School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2018, wherein we noted the District adopted GASB No. 75 as disclosed in Note 21.

Internal Control over Financial Reporting

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

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

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

8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 13, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 13, 2018, which contained unmodified opinions on those financial statements, wherein we noted the District adopted GASB No. 75 as disclosed in Note 21. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 13, 2018

AUBURN VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant Deficiency(s) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant Deficiency(s) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	
Student Financial Aid Cluster	
Dollar threshold used to distinguish between Type A and Type B Programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

AUBURN VOCATIONAL SCHOOL DISTRICT
June 30, 2018

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

The Auburn Vocational School District had no prior audit findings or questioned costs.

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Dave Yost • Auditor of State

AUBURN VOCATIONAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 13, 2018

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