



Rea & associates *a brighter way*

Fremont City School District

Sandusky County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2017



Dave Yost • Auditor of State

Board of Education
Fremont City School District
500 W State St. Ste A
Fremont, OH 43420

We have reviewed the *Independent Auditor's Report* of the Fremont City School District, Sandusky County, prepared by Rea & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Fremont City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 16, 2018

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Sandusky County, Ohio
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Sandusky County, Ohio
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December 12, 2017

The Board of Education
Fremont City School District
500 West State Street Suite A
Fremont, OH 43420

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County, Ohio, (the "School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County, Ohio, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the School District's Proportionate Share of the Net Pension Liability, and the Schedule of School District Contributions on pages 5–14, 62, and 63, respectively, 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 Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 School District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

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Fremont City School District
Sandusky County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

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

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- Net position decreased \$3,598,595 during fiscal year 2017.
- Capital assets decreased \$822,224 during fiscal year 2017.
- During the fiscal year, outstanding debt decreased from \$16,104,131 to \$15,655,747 due to principal payments made by the School District.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a whole 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 School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund and bond retirement fund are the School District's major funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The *Statement of Net Position* and the *Statement of Activities* 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.

Fremont City School District
Sandusky County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major fund financial statements begin on page 17. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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 School 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.

Proprietary Funds The School District maintains a proprietary fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses its internal service fund to account for its healthcare costs. Because this service predominantly benefits governmental functions, they have been included within governmental activities in the government-wide statements.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in the agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25 and 26. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Fremont City School District
Sandusky County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2017 compared to fiscal year 2016:

Table 1
Net Position

	Governmental Activities	
	2017	2016
Assets		
Current and Other Assets	\$ 41,947,635	\$ 40,224,273
Capital Assets	30,348,689	31,170,913
<i>Total Assets</i>	<u>72,296,324</u>	<u>71,395,186</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	1,283,227	1,393,826
Pension	13,676,052	6,566,505
<i>Total Deferred Outflows of Resources</i>	<u>14,959,279</u>	<u>7,960,331</u>
Liabilities		
Current and Other Liabilities	4,745,079	5,588,256
Long-Term Liabilities:		
Due Within One Year	1,145,172	1,231,609
Due In More Than One Year:		
Net Pension Liability	71,723,721	59,336,447
Other Amounts	20,047,839	19,541,033
<i>Total Liabilities</i>	<u>97,661,811</u>	<u>85,697,345</u>
Deferred Inflows of Resources		
Property Taxes Levied for the Next Year	12,488,394	9,699,955
Pension	694,570	3,948,794
<i>Total Deferred Inflows of Resources</i>	<u>13,182,964</u>	<u>13,648,749</u>
Net Position		
Net Investment in Capital Assets	14,500,628	15,050,984
Restricted	7,004,197	6,631,498
Unrestricted	(45,093,997)	(41,673,059)
<i>Total Net Position</i>	<u>\$ (23,589,172)</u>	<u>\$ (19,990,577)</u>

Fremont City School District
Sandusky County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

During a prior fiscal year, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This 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*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Fremont City School District
Sandusky County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources. The School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

At year end, capital assets represented 42 percent of total assets. Capital assets include land, land improvements, buildings, equipment and vehicles. Net investments in capital assets were \$14,500,628 at June 30, 2017. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$7,004,197 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of \$45,093,997, primarily caused by GASB 68.

Total assets increased \$901,138. The largest increase was property taxes receivable, which was the result of the School District passing a new levy in May 2017. Intergovernmental receivables increased by \$652,843 due to an increase in grants receivable. These increases were partially offset by the decreases in capital assets.

Accounts payable decreased during the fiscal year by \$367,739, as a result of the timing of purchases made by the School District. The increases in net pension liability and deferred outflows of resources, and the decrease in deferred inflows of resources are directly related to GASB Statement No. 68.

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Fremont City School District
Sandusky County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Table 2 shows the changes in net position for fiscal year 2017 and 2016.

Table 2
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,408,927	\$ 1,899,791
Operating Grants	7,450,028	7,094,524
Capital Grants	88,603	0
<i>Total Program Revenues</i>	<u>8,947,558</u>	<u>8,994,315</u>
<i>General Revenues:</i>		
Property Taxes	12,942,738	13,803,106
Income Taxes	8,527,596	7,857,167
Grants and Entitlements Not Restricted	18,571,382	18,508,827
Payments in Lieu of Taxes	334,498	28,720
Other	387,738	357,199
<i>Total General Revenues</i>	<u>40,763,952</u>	<u>40,555,019</u>
<i>Total Revenues</i>	<u>49,711,510</u>	<u>49,549,334</u>
Program Expenses		
<i>Instruction:</i>		
Regular	23,510,534	19,567,973
Special	6,974,308	6,004,049
Vocational	63,486	12,643
Student Intervention Services	82,604	0
Other	175,794	290,599
<i>Support Services:</i>		
Pupils	3,163,327	2,772,921
Instructional Staff	1,830,237	1,508,524
Board of Education	73,113	45,064
Administration	4,436,650	3,538,456
Fiscal	1,041,031	851,045
Business	201,815	167,109
Operation and Maintenance of Plant	4,363,606	4,440,573
Pupil Transportation	1,878,957	1,562,201
Central	913,600	677,065
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	2,146,616	2,073,396
Community Services	631,679	591,789
Extracurricular Activities	1,110,219	1,025,318
<i>Debt Service:</i>		
Interest and Fiscal Charges	712,529	787,568
<i>Total Expenses</i>	<u>53,310,105</u>	<u>45,916,293</u>
<i>Increase (Decrease) in Net Position</i>	(3,598,595)	3,633,041
<i>Net Position at Beginning of Year</i>	<u>(19,990,577)</u>	<u>(23,623,618)</u>
<i>Net Position at End of Year</i>	<u>\$ (23,589,172)</u>	<u>\$ (19,990,577)</u>

Fremont City School District
Sandusky County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Revenues increased in fiscal year 2017 by \$162,176. Charges for services decreased by \$490,864 primarily due to a significant decrease in tuition and fees. Operating and capital grants combined to increase \$444,107 over the previous year as a result of more revenue coming in from the state and federal level. Property tax revenue decreased as a result of the decrease in the amount of property tax available for advance at the end of fiscal year 2017. Income tax revenue increased due to accruing more income tax receivable at year-end than fiscal year 2016.

Expenses increased by \$7,393,812 during fiscal year 2017, which is primarily attributable to the significant increase in pension expense from components of net pension liability and current year depreciation expense for capital assets. Instruction expenses also increased due to an increase in wages and benefits.

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 Service		Net Cost of Service	
	2017	2016	2017	2016
Instruction:				
Regular	\$ 23,510,534	\$ 19,567,973	\$ 22,038,151	\$ 16,579,233
Special	6,974,308	6,004,049	3,647,775	4,386,870
Vocational	63,486	12,643	38,416	(23,527)
Student Intervention Services	82,604	0	82,604	0
Other	175,794	290,599	47,073	77,388
Support Services:				
Pupils	3,163,327	2,772,921	2,990,537	2,629,709
Instructional Staff	1,830,237	1,508,524	1,200,372	982,525
Board of Education	73,113	45,064	73,113	45,064
Administration	4,436,650	3,538,456	4,224,699	3,353,020
Fiscal	1,041,031	851,045	1,000,033	818,095
Business	201,815	167,109	201,815	167,109
Operation and Maintenance of Plant	4,363,606	4,440,573	4,283,421	4,383,786
Pupil Transportation	1,878,957	1,562,201	1,757,963	1,544,568
Central	913,600	677,065	805,650	455,959
Operation of Non-Instructional Services:				
Food Service Operations	2,146,616	2,073,396	212,601	125,649
Community Services	631,679	591,789	202,568	(87,376)
Extracurricular Activities	1,110,219	1,025,318	843,227	696,388
Debt Service:				
Interest and Fiscal Charges	712,529	787,568	712,529	787,568
Total Expenses	\$ 53,310,105	\$ 45,916,293	\$ 44,362,547	\$ 36,922,028

Fremont City School District
Sandusky County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

The dependence upon general revenues for governmental activities is apparent. Approximately 83 percent of governmental activities are supported through taxes and other general revenues; such revenues are 82 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major fund starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The net change in fund balances for the fiscal year was a decrease of \$1,307,521 for all governmental funds with the most significant decrease in the general fund.

The general fund's net change in fund balance for fiscal year 2017 was a decrease of \$1,325,495. The majority of this decrease is due to an increase wages and benefits in instruction expenses.

The bond retirement fund's net change in fund balance for fiscal year 2017 was an increase of \$209,561. This increase is due to the timing of property tax and other revenues and debt service payments due.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

The final budget revenues of \$41,804,703 were \$1,584,449 higher compared to the original budget revenues of \$40,220,254. This increase is due to an underestimation of intergovernmental revenue.

For the general fund, actual budget basis revenue was \$41,372,509, which was lower than the final budget basis revenue by \$432,194. Most of this difference is due to an overestimation of tuition and fees.

Final expenditure appropriations of \$43,169,682 were \$208,383 higher than the actual expenditures of \$42,961,299 as instruction and extracurricular expenses exceeded expectation. Final expenditure appropriations were \$2,477,413 higher than original appropriations of \$40,692,269, as expenditures were conservatively budgeted.

There were no significant variances to discuss in other financing sources and uses.

Fremont City School District
Sandusky County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$30,348,689 invested in capital assets. Table 4 shows fiscal year 2017 balances compared with 2016.

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

	Governmental Activities	
	2017	2016
Land	\$ 409,270	\$ 409,270
Land Improvements	136,320	169,394
Buildings	28,423,636	29,081,938
Equipment	1,068,934	1,077,199
Vehicles	310,529	433,112
<i>Totals</i>	\$ 30,348,689	\$ 31,170,913

The \$822,224 decrease in capital assets was attributable to depreciation exceeding acquisitions in the current year. See Note 10 for more information about the capital assets of the School District.

Debt

At June 30, 2017, the School District had \$15,655,747 in debt outstanding. See Note 15 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at June 30

	Governmental Activities	
	2017	2016
General Obligation Bonds:		
Various Serial/Term Bonds	\$ 15,105,000	\$ 15,210,000
Various Capital Appreciation Bonds	413,747	536,840
Accretion on Capital Appreciation Bonds	137,000	357,291
<i>Totals</i>	\$ 15,655,747	\$ 16,104,131

Fremont City School District
Sandusky County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Current Issues

The School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. Recent national events and their impact on the School District and the surrounding area are very much under review and analysis. Economic recession has yet to impact our primary industries, but that could be a seasonal phenomena resulting from our agricultural and housing industry strengths. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its five year forecast.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Thus management must diligently plan expenses from this growth, staying carefully within its five-year forecast.

As a result of the challenges mentioned above, it is imperative that the School District's management continue to carefully and prudently plan to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Amelia Gioffredo, Treasurer of Fremont City School District, 500 W. State Street, Suite A, Fremont, Ohio 43420 treasurer@fremontschools.net.

Fremont City School District
Sandusky County, Ohio
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 21,384,879
Cash and Cash Equivalents in Segregated Accounts	123,014
Receivables:	
Accrued Interest	25,012
Accounts	4,974
Intergovernmental	1,536,523
Income Taxes	3,289,284
Property Taxes	15,496,199
Notes	11,941
Prepaid Items	75,809
Nondepreciable Capital Assets	409,270
Depreciable Capital Assets (Net)	29,939,419
<i>Total Assets</i>	72,296,324
Deferred Outflows of Resources	
Deferred Charges on Refunding	1,283,227
Pension	13,676,052
<i>Total Deferred Outflows of Resources</i>	14,959,279
Liabilities	
Accounts Payable	263,978
Accrued Wages and Benefits	2,863,675
Intergovernmental Payable	1,027,766
Accrued Interest Payable	292,655
Claims Payable	297,005
Long Term Liabilities:	
Due Within One Year	1,145,172
Due In More Than One Year:	
Net Pension Liability	71,723,721
Other Amounts	20,047,839
<i>Total Liabilities</i>	97,661,811
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	12,488,394
Pension	694,570
<i>Total Deferred Inflows of Resources</i>	13,182,964
Net Position	
Net Investment in Capital Assets	14,500,628
Restricted For:	
Capital Outlay	2,665,961
Debt Service	1,117,717
Other Purposes	3,220,519
Unrestricted	(45,093,997)
<i>Total Net Position</i>	\$ (23,589,172)

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 23,510,534	\$ 746,276	\$ 692,174	\$ 33,933	\$ (22,038,151)
Special	6,974,308	0	3,326,533	0	(3,647,775)
Vocational	63,486	0	25,070	0	(38,416)
Student Intervention Services	82,604	0	0	0	(82,604)
Other	175,794	0	128,721	0	(47,073)
Support Services:					
Pupils	3,163,327	1,167	171,623	0	(2,990,537)
Instructional Staff	1,830,237	15,630	614,235	0	(1,200,372)
Board of Education	73,113	0	0	0	(73,113)
Administration	4,436,650	15,506	196,445	0	(4,224,699)
Fiscal	1,041,031	0	35,948	5,050	(1,000,033)
Business	201,815	0	0	0	(201,815)
Operation and Maintenance of Plant	4,363,606	0	39,869	40,316	(4,283,421)
Pupil Transportation	1,878,957	0	120,994	0	(1,757,963)
Central	913,600	28,825	79,125	0	(805,650)
Operation of Non-Instructional Services:					
Food Service Operations	2,146,616	345,997	1,588,018	0	(212,601)
Community Services	631,679	8	429,103	0	(202,568)
Extracurricular Activities	1,110,219	255,518	2,170	9,304	(843,227)
Debt Service:					
Interest and Fiscal Charges	712,529	0	0	0	(712,529)
Total	\$ 53,310,105	\$ 1,408,927	\$ 7,450,028	\$ 88,603	(44,362,547)
General Revenues					
Property Taxes Levied for:					
General Purposes					10,974,399
Debt Service					1,317,933
Capital Outlay					360,406
Classroom Facilities Maintenance					290,000
Income Taxes Levied for:					
General Purposes					8,527,596
Grants and Entitlements Not Restricted to Specific Programs					18,571,382
Payments in Lieu of Taxes					334,498
Investment Earnings					177,834
Miscellaneous					209,904
Total General Revenues					40,763,952
Change in Net Position					
					(3,598,595)
Net Position Beginning of Year					
					(19,990,577)
Net Position End of Year					
					\$ (23,589,172)

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 14,132,729	\$ 921,822	\$ 5,275,182	\$ 20,329,733
Investments in Segregated Accounts	0	0	123,014	123,014
Receivables:				
Accrued Interest	24,656	0	356	25,012
Accounts	4,834	0	140	4,974
Interfund	2,787	0	0	2,787
Intergovernmental	610,386	0	825,293	1,435,679
Income Taxes	3,289,284	0	0	3,289,284
Property Taxes	12,239,810	2,517,006	739,383	15,496,199
Notes	0	0	11,941	11,941
<i>Total Assets</i>	<u>\$ 30,304,486</u>	<u>\$ 3,438,828</u>	<u>\$ 6,975,309</u>	<u>\$ 40,718,623</u>
Liabilities				
Accounts Payable	\$ 142,556	\$ 0	\$ 121,422	\$ 263,978
Accrued Wages and Benefits	2,697,554	0	166,121	2,863,675
Intergovernmental Payable	989,110	0	38,656	1,027,766
Interfund Payable	0	0	2,787	2,787
<i>Total Liabilities</i>	<u>3,829,220</u>	<u>0</u>	<u>328,986</u>	<u>4,158,206</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	9,864,069	2,028,456	595,869	12,488,394
Unavailable Revenue	1,659,491	155,695	639,393	2,454,579
<i>Total Deferred Inflows of Resources</i>	<u>11,523,560</u>	<u>2,184,151</u>	<u>1,235,262</u>	<u>14,942,973</u>
Fund Balances				
Nonspendable	0	0	11,941	11,941
Restricted	0	1,254,677	5,435,181	6,689,858
Committed	4,889,178	0	0	4,889,178
Assigned	754,094	0	0	754,094
Unassigned	9,308,434	0	(36,061)	9,272,373
<i>Total Fund Balances</i>	<u>14,951,706</u>	<u>1,254,677</u>	<u>5,411,061</u>	<u>21,617,444</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 30,304,486</u>	<u>\$ 3,438,828</u>	<u>\$ 6,975,309</u>	<u>\$ 40,718,623</u>

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances		\$ 21,617,444
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,348,689
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 915,351	
Income Taxes	580,679	
Property Taxes	958,549	2,454,579
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		934,794
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(292,655)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	13,676,052	
Deferred Inflows - Pension	(694,570)	
Net Pension Liability	(71,723,721)	(58,742,239)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(15,105,000)	
Capital Appreciation Bonds	(413,747)	
Bond Premium	(1,612,541)	
Accretion of Interest - Capital Appreciation Bonds	(137,000)	
Unamortized Gain on Refunding - Deferred charges	1,283,227	
Compensated Absences	(3,924,723)	(19,909,784)
<i>Net Position of Governmental Activities</i>		\$ (23,589,172)

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 11,053,717	\$ 1,242,568	\$ 656,311	\$ 12,952,596
Income Taxes	7,946,917	0	0	7,946,917
Intergovernmental	20,165,838	145,620	5,093,547	25,405,005
Investment Income	174,807	0	3,027	177,834
Tuition and Fees	669,543	0	109	669,652
Extracurricular Activities	152,258	0	254,638	406,896
Rentals	20,946	0	0	20,946
Payments in Lieu of Taxes	334,498	0	0	334,498
Charges for Services	46,447	0	345,919	392,366
Contributions and Donations	23,121	0	282	23,403
Miscellaneous	176,323	0	33,627	209,950
<i>Total Revenues</i>	<u>40,764,415</u>	<u>1,388,188</u>	<u>6,387,460</u>	<u>48,540,063</u>
Expenditures				
Current:				
Instruction:				
Regular	20,689,685	0	981,986	21,671,671
Special	5,186,048	0	1,423,977	6,610,025
Vocational	60,713	0	0	60,713
Student Intervention Services	82,522	0	0	82,522
Other	455	0	169,673	170,128
Support Services:				
Pupils	2,798,206	0	144,418	2,942,624
Instructional Staff	1,045,466	0	691,845	1,737,311
Board of Education	72,437	0	1	72,438
Administration	3,868,860	0	147,990	4,016,850
Fiscal	898,519	28,884	49,857	977,260
Business	185,103	0	0	185,103
Operation and Maintenance of Plant	3,775,954	0	42,956	3,818,910
Pupil Transportation	1,658,906	0	23,840	1,682,746
Central	807,232	0	16,288	823,520
Extracurricular Activities	766,916	0	246,831	1,013,747
Operation of Non-Instructional Services:				
Food Service Operations	0	0	2,083,798	2,083,798
Community Services	53,820	0	549,665	603,485
Capital Outlay	4,000	0	140,990	144,990
Debt Service:				
Principal Retirement	0	228,093	0	228,093
Interest and Fiscal Charges	0	921,650	0	921,650
<i>Total Expenditures</i>	<u>41,954,842</u>	<u>1,178,627</u>	<u>6,714,115</u>	<u>49,847,584</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,190,427)</u>	<u>209,561</u>	<u>(326,655)</u>	<u>(1,307,521)</u>
Other Financing Sources (Uses)				
Transfers In	211,482	0	346,550	558,032
Transfers Out	(346,550)	0	(211,482)	(558,032)
<i>Total Other Financing Sources (Uses)</i>	<u>(135,068)</u>	<u>0</u>	<u>135,068</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,325,495)</u>	<u>209,561</u>	<u>(191,587)</u>	<u>(1,307,521)</u>
<i>Fund Balances Beginning of Year</i>	<u>16,277,201</u>	<u>1,045,116</u>	<u>5,602,648</u>	<u>22,924,965</u>
<i>Fund Balances End of Year</i>	<u>\$ 14,951,706</u>	<u>\$ 1,254,677</u>	<u>\$ 5,411,061</u>	<u>\$ 21,617,444</u>

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds	\$	(1,307,521)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 167,104	
Current Year Depreciation	<u>(989,328)</u>	(822,224)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(9,858)	
Income Taxes	580,679	
Rent	(200)	
Tuition and Fees	(80,733)	
Miscellaneous	(46)	
Intergovernmental	<u>681,605</u>	1,171,447
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	105,000	
Capital Appreciation Bonds	<u>505,000</u>	610,000
 In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	(54,945)	
Amortization of Premium on Bonds	154,374	
Amortization of Refunding Loss	(110,599)	
Accretion on Capital Appreciation Bonds	<u>(161,616)</u>	(172,786)
 Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		3,656,881
 Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(5,680,384)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(30,881)
 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		<u>(1,023,127)</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u><u>(3,598,595)</u></u>

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 11,812,462	\$ 11,998,723	\$ 11,979,754	\$ (18,969)
Income Taxes	8,008,521	8,001,980	7,866,108	(135,872)
Intergovernmental	18,872,347	19,961,970	19,893,435	(68,535)
Investment Income	155,214	255,000	257,348	2,348
Tuition and Fees	1,049,256	972,565	747,335	(225,230)
Extracurricular Activities	109,930	110,973	95,947	(15,026)
Rentals	38,418	38,510	21,524	(16,986)
Charges for Services	40,035	50,000	42,241	(7,759)
Payments in Lieu of Taxes	47,598	320,320	334,498	14,178
Miscellaneous	86,473	94,662	134,319	39,657
<i>Total Revenues</i>	<u>40,220,254</u>	<u>41,804,703</u>	<u>41,372,509</u>	<u>(432,194)</u>
Expenditures				
Current:				
Instruction:				
Regular	25,777,716	21,125,438	21,121,565	3,873
Special	4,705,180	5,388,493	5,317,052	71,441
Vocational	37,404	78,463	78,463	0
Student Intervention Services	8,091	131,503	82,522	48,981
Other	133	129	129	0
Support Services:				
Pupils	2,188,805	2,822,430	2,822,426	4
Instructional Staff	723,585	1,036,550	1,036,537	13
Board of Education	22,157	75,792	75,792	0
Administration	2,982,027	3,904,529	3,904,526	3
Fiscal	557,793	896,101	896,958	(857)
Business	100,304	181,458	181,458	0
Operation and Maintenance of Plant	2,054,755	4,186,009	4,186,011	(2)
Pupil Transportation	736,586	1,656,993	1,656,993	0
Central	434,938	750,055	750,056	(1)
Extracurricular Activities	321,131	870,576	793,648	76,928
Operation of Non-Instructional Services:				
Community Services	1,548	61,163	53,163	8,000
Capital Outlay	40,116	4,000	4,000	0
<i>Total Expenditures</i>	<u>40,692,269</u>	<u>43,169,682</u>	<u>42,961,299</u>	<u>208,383</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(472,015)</u>	<u>(1,364,979)</u>	<u>(1,588,790)</u>	<u>(223,811)</u>
Other Financing Sources (Uses)				
Advances In	0	0	180,000	180,000
Transfers In	0	233,476	211,482	(21,994)
Advances Out	0	(180,000)	(180,000)	0
Transfers Out	0	(442,594)	(347,821)	94,773
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(389,118)</u>	<u>(136,339)</u>	<u>252,779</u>
<i>Net Change in Fund Balance</i>	(472,015)	(1,754,097)	(1,725,129)	28,968
<i>Fund Balance Beginning of Year</i>	14,176,250	14,176,250	14,176,250	0
Prior Year Encumbrances Appropriated	790,075	790,075	790,075	0
<i>Fund Balance End of Year</i>	<u>\$ 14,494,310</u>	<u>\$ 13,212,228</u>	<u>\$ 13,241,196</u>	<u>\$ 28,968</u>

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2017

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Equity in Pooled Cash and Investments	\$ 1,055,146
Intergovernmental Receivable	100,844
Prepaid Items	<u>75,809</u>
<i>Total Assets</i>	<u>1,231,799</u>
Liabilities	
Claims Payable	<u>297,005</u>
Net Position	
Unrestricted	<u>\$ 934,794</u>

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 4,896,614
Other	246,198
<i>Total Operating Revenues</i>	5,142,812
Operating Expenses	
Purchased Services	809,641
Claims	4,364,052
<i>Total Operating Expenses</i>	5,173,693
<i>Operating Income (Loss)</i>	(30,881)
<i>Net Position Beginning of Year</i>	965,675
<i>Net Position End of Year</i>	\$ 934,794

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received for Charges for Services	\$ 4,896,614
Cash Received from Other Operating Sources	145,354
Cash Payments to Suppliers for Goods and Services	(888,662)
Cash Payments for Claims	(4,398,207)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(244,901)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	(244,901)
<i>Cash and Investments, Beginning of Year</i>	<u>1,300,047</u>
<i>Cash and Investments, End of Year</i>	<u><u>\$ 1,055,146</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (30,881)
(Increase) Decrease Assets:	
Intergovernmental Receivable	(100,844)
Prepaid Items	(75,809)
Increase (Decrease) in Liabilities:	
Accounts Payable	(3,212)
Claims Payable	(34,155)
<i>Total Adjustments</i>	<u>(214,020)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u><u>\$ (244,901)</u></u>

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 58,452	\$ 107,977
Investments in Segregated Accounts	273,344	0
Accrued Interest Receivable	285	0
<i>Total Assets</i>	332,081	\$ 107,977
Liabilities		
Due to Students	0	\$ 107,977
Net Position		
Held in Trust for Scholarships	\$ 332,081	

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions	
Interest	\$ 453
Miscellaneous	7,462
	7,915
<i>Total Additions</i>	<i>7,915</i>
Deductions	
Payments in Accordance with Trust Agreements	4,600
	4,600
<i>Change in Net Position</i>	<i>3,315</i>
<i>Net Position Beginning of Year</i>	<i>328,766</i>
	<i>328,766</i>
<i>Net Position End of Year</i>	<i>\$ 332,081</i>

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

Fremont City School District (the “School District”) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state statute and federal guidelines.

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred sixty-two square miles. It is located in central Sandusky County, including all of the City of Fremont and portions of surrounding townships. It is staffed by 160 classified employees, 298 certified teaching personnel, including 35 administrative employees who provide services to 4,411 students and other community members. The School District currently operates seven elementary schools, a middle school, and a comprehensive high school.

Reporting Entity

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

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

The following activity is included within the School District’s reporting entity:

Parochial Schools - Within the School District boundaries, Bishop Hoffman Catholic Schools are operated through the Toledo Catholic Diocese. Current state legislation provides funding to these parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund for financial reporting purposes by the School District.

The School District participates in three jointly governed organizations. These organizations are the Northern Ohio Educational Computer Association, the Vanguard-Sentinel Career Center and the Ohio Schools Council. These organizations are presented in Note 17 to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Basis of Presentation*

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

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

B. *Fund Accounting*

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

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

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

Bond Retirement - The bond retirement fund is used to account for the accumulation of property tax revenues restricted for the payment of the general obligation bonds used for the construction and improvements of school buildings and facilities.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Proprietary Fund - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The School District reports one type of proprietary fund:

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's Self Insurance internal service fund accounts for the activities of the program for employee health care benefits and workers' compensation.

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 School District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various staff-managed and student-managed activities, a flex spending account, and for money temporarily held for Ohio High School Athletic Association (OHSAA) tournaments.

C. Measurement Focus

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

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

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The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows, 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 School District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018

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operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

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.

E. Budgetary Process

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

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

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

F. Cash and Investments

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

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During the fiscal year all investments were limited to certificates of deposit, instruments of government sponsored mortgage-backed securities, money market, and commercial paper. In addition, for 2017 the School District had an interest in STAR Ohio, the State Treasurer's Investment Pool.

The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitation 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.

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

G. Inventory

Inventory is presented at the lower of cost or market on a first-in, first-out basis and is expended/expensed when used. Inventory consists of donated and purchased food.

H. Restricted Assets

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

I. Capital Assets

All capital assets of the School District 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.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 7 Years
Buildings	5 - 75 Years
Equipment	3 - 25 Years
Vehicles	4 - 15 Years

J. Interfund Balances

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

K. 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 the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination 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 School District’s past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid.

L. Pensions

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

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M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgements, compensated absences and net pension liability that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

N. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2017, none of the School District's net position was restricted for enabling legislation.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

O. Fund Balance Reserves

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

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, unless the use of the proceeds from the collection of those receivables is restricted, committed, or assigned.

Restricted- fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. 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.

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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- fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. 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 School 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- fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when 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.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services in the internal service fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as nonoperating.

Q. 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 and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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R. 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.

S. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

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NOTE 3: FUND BALANCES

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

	<u>General</u> <u>Fund</u>	<u>Bond</u> <u>Retirement</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
Nonspendable for:				
Notes Receivable	\$ 0	\$ 0	\$ 11,941	\$ 11,941
Total Nonspendable	<u>0</u>	<u>0</u>	<u>11,941</u>	<u>11,941</u>
Restricted for:				
Food Service	0	0	10,950	10,950
Athletics and Music	0	0	246,795	246,795
Instructional Programs	0	0	126,032	126,032
Special Education	0	0	14,093	14,093
Facilities Maintenance	0	0	2,181,682	2,181,682
Scholarships and Awards	0	0	176,722	176,722
Parochial Schools	0	0	58,682	58,682
Debt Service	0	1,254,677	0	1,254,677
Capital Improvements	0	0	2,620,225	2,620,225
Total Restricted	<u>0</u>	<u>1,254,677</u>	<u>5,435,181</u>	<u>6,689,858</u>
Committed to:				
Underground Storage Tanks	11,000	0	0	11,000
Capital Improvements	4,878,178	0	0	4,878,178
Total Committed	<u>4,889,178</u>	<u>0</u>	<u>0</u>	<u>4,889,178</u>
Assigned for:				
Public School Support	456,117	0	0	456,117
Encumbrances:				
Instruction	143,017	0	0	143,017
Support Services	154,960	0	0	154,960
Total Assigned	<u>754,094</u>	<u>0</u>	<u>0</u>	<u>754,094</u>
Unassigned	<u>9,308,434</u>	<u>0</u>	<u>(36,061)</u>	<u>9,272,373</u>
Total Fund Balance	<u>\$ 14,951,706</u>	<u>\$ 1,254,677</u>	<u>\$ 5,411,061</u>	<u>\$ 21,617,444</u>

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NOTE 4: ACCOUNTABILITY

Fund balances at June 30, 2017, included the following individual fund deficits:

	<u>Fund Balance</u>
Nonmajor Governmental Funds:	
Title III	\$ 3,180
Title I	17,057
Improving Teacher Quality	<u>15,824</u>
	<u>\$ 36,061</u>

The deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

NOTE 5: BUDGETARY BASIS OF ACCOUNTING

While the School 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 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as assigned, committed or restricted fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

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Net Change in Fund Balance

	General Fund
GAAP Basis	\$ (1,325,495)
Net Adjustment for Revenue Accruals	1,044,513
Net Adjustment for Expenditure Accruals	(926,003)
Funds Budgeted Elsewhere **	(98,113)
Adjustment for Encumbrances	(420,031)
Budget Basis	\$ (1,725,129)

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes uniform school supplies, rotary fund-special services, internal services rotary, unclaimed funds, underground storage tanks and public school support funds.

NOTE 6: DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

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

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above 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. Commercial paper notes, limited to 40 percent (5 percent for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed 270 days; and
8. Bankers' acceptances, limited to 40 percent of the interim monies available for investment at any one time and for a period not to exceed 180 days.

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.

All interest is legally required to be placed in the general fund, and other funds as approved by a Board resolution. Interest revenue credited to the general fund during fiscal year 2017 amount to \$174,807, which includes \$60,267 assigned from other School District funds.

Deposits with Financial Institutions

At June 30, 2017, the carrying amount of the School District's deposits was \$1,601,796. Of this balance \$123,014 in the special trust special revenue fund and \$273,344 in the endowment private purpose trust fund are "investments in segregated accounts." Of the School District's bank balance of \$1,682,743, \$1,144,358 was insured by the FDIC.

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Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Investments

As of June 30, 2017, the School District had the following investments and maturities:

<u>Rating</u>	Measurement Amount	Investment Maturities (in years)			% Total Investments
		Less than 1	1 - 3	Over 3	
AAAm STAR Ohio	\$ 2,254,538	\$ 2,254,538	\$ 0	\$ 0	11.09%
N/A Certificates of Deposit	4,786,899	995,881	2,666,508	1,124,510	23.53%
N/A Money Market	57,116	57,116	0	0	0.28%
A-1 Commercial Paper	8,804,332	8,804,332	0	0	43.27%
AA+ Federal Home Loan Bank Notes	494,440	0	0	494,440	2.43%
AA+ Federal Home Loan Mortgage	2,053,612	0	0	2,053,612	10.09%
AA+ Federal National Mortgage Association	1,894,933	0	1,894,933	0	9.31%
Totals	<u>\$ 20,345,870</u>	<u>\$ 12,111,867</u>	<u>\$ 4,561,441</u>	<u>\$ 3,672,562</u>	<u>100.00%</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2017. As discussed further in Note 2, STAR Ohio is reported at its share price. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2017, is 46 days.

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Credit Risk The School District's investments at June 30, 2017 are rated as shown above by S&P Global Ratings. Federal money markets are exempt from ratings since they are explicitly guaranteed by a U.S. Government Agency. The School District's policy on Credit Risk allows only for those investments as stated within the Ohio Revised Code.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

NOTE 7: RECEIVABLES

Receivables at June 30, 2017 consisted of accounts, intergovernmental, income taxes, accrued interest, interfund, amounts due from external parties, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

NOTE 8: INCOME TAXES

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was renewed on January 1, 2014 and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 9: PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Sandusky County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 in the general, bond retirement and permanent improvement funds was \$1,618,623, \$332,855, and \$97,778, respectively. The amount available for advance at June 30, 2016, in the general, bond retirement and permanent improvement funds was \$2,544,660, \$244,384, and \$157,104, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 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.

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

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

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 555,595,260	91.22%	\$ 558,031,760	90.24%
Public Utility Personal Property	53,495,020	8.78%	60,374,240	9.76%
	\$ 609,090,280	100.00%	\$ 618,406,000	100.00%
Tax rate per \$1,000 assessed valuation	\$ 35.55		\$ 35.55	

On May 2, 2017, a new levy was passed for 4.63 mills for the purpose of the School District constructing and renovating school facilities. The levy will be collected throughout the 37 year life of the bonds that the School District issued for the improvements.

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NOTE 10: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 409,270	\$ 0	\$ 0	\$ 409,270
<i>Capital Assets, being depreciated:</i>				
Land Improvements	641,571	0	0	641,571
Buildings	37,654,737	0	0	37,654,737
Equipment	2,323,913	167,104	(6,379)	2,484,638
Vehicles	2,802,708	0	(48,000)	2,754,708
Total Capital Assets, being depreciated	<u>43,422,929</u>	<u>167,104</u>	<u>(54,379)</u>	<u>43,535,654</u>
Less Accumulated Depreciation:				
Land Improvements	(472,177)	(33,074)	0	(505,251)
Buildings	(8,572,799)	(658,302)	0	(9,231,101)
Equipment	(1,246,714)	(175,369)	6,379	(1,415,704)
Vehicles	(2,369,596)	(122,583)	48,000	(2,444,179)
Total Accumulated Depreciation	<u>(12,661,286)</u>	<u>(989,328)</u>	<u>54,379</u>	<u>(13,596,235)</u>
Total Capital Assets being depreciated, net	<u>30,761,643</u>	<u>(822,224)</u>	<u>0</u>	<u>29,939,419</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,170,913</u>	<u>\$ (822,224)</u>	<u>\$ 0</u>	<u>\$ 30,348,689</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 390,867
Special	36,039
Vocational	2,735
Support Services:	
Pupil	4,104
Instructional Staff	15,209
Board of Education	630
Administration	7,105
Operation and Maintenance of Plant	268,223
Pupil Transportation	118,698
Operation of Non-Instructional Services:	
Food Service Operations	63,583
Community Services	1,055
Extracurricular Activities	<u>81,080</u>
 Total Depreciation	 <u><u>\$ 989,328</u></u>

NOTE 11: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

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

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The School District offers medical, prescription drug, and dental insurance to all employees through a partially self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The School District purchased stop loss insurance for claims in excess of \$150,000 per individual annually and unlimited per individual, per lifetime.

Settled claims have not exceeded this coverage for the past three years. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The

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estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2017 were estimated by the third party administrator at \$297,005.

The changes in the claims liability for the past two fiscal years are as follow:

		Balance <u>July 1</u>	Current <u>Year Claims</u>	Claim <u>Payments</u>	Balance <u>June 30</u>
2016	\$	313,931	\$ 4,020,901	\$ 4,003,672	\$ 331,160
2017	\$	331,160	\$ 4,364,052	\$ 4,398,207	\$ 297,005

NOTE 12: 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 School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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 intergovernmental payable on both the accrual and modified accrual bases of accounting.

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Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District’s contractually required contribution to SERS was \$792,138 for fiscal year 2017. Of this amount, \$828 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone

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financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five 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 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination 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 plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

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The School District's contractually required contribution to STRS was \$2,864,743 for fiscal year 2017. Of this amount, \$463,652 is reported as an intergovernmental payable.

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

The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 58,947,906	\$ 12,775,815	\$ 71,723,721
Proportion of the Net Pension Liability:			
Current Measurement Date	0.17610576%	0.17455500%	
Prior Measurement Date	<u>0.17900273%</u>	<u>0.17289100%</u>	
Change in Proportionate Share	<u>-0.00289697%</u>	<u>0.00166400%</u>	
 Pension Expense	 \$ 4,349,568	 \$ 1,330,816	 \$ 5,680,384

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 2,381,777	\$ 172,315	\$ 2,554,092
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,894,260	1,053,819	5,948,079
Changes of Assumptions	0	852,855	852,855
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	595,024	69,121	664,145
School District Contributions Subsequent to the Measurement Date	2,864,743	792,138	3,656,881
Total Deferred Outflows of Resources	<u>\$ 10,735,804</u>	<u>\$ 2,940,248</u>	<u>\$ 13,676,052</u>
Deferred Inflows of Resources			
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>\$ 651,007</u>	<u>\$ 43,563</u>	<u>\$ 694,570</u>

\$3,656,881 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 1,187,606	\$ 525,200	\$ 1,712,806
2019	1,187,606	524,440	1,712,046
2020	3,065,671	751,979	3,817,650
2021	1,779,171	302,928	2,082,099
	<u>\$ 7,220,054</u>	<u>\$ 2,104,547</u>	<u>\$ 9,324,601</u>

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.

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

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

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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 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:

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's Proportionate Share of the Net Pension Liability	\$ 16,914,383	\$ 12,775,815	\$ 9,311,662

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
Projected Salary Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on the fifth anniversary of the retirement date

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

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

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

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

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$ 78,336,977	\$ 58,947,906	\$ 42,592,082

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

NOTE 13: POSTEMPLOYEMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$88,686.

Fremont City School District
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For the Fiscal Year Ended June 30, 2017

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was \$134,275. The full amount has been contributed for fiscal year 2015.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. 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 Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

NOTE 14: OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred sixty days for administrators, supervisors, and classified supervisors; two hundred forty-four days for teachers and school calendar employees; and two hundred sixty days for full-time classified employees. Upon retirement, payment is made for one half of accrued, but unused sick leave credit to a maximum of fifty-three days for teachers and thirty-five to seventy days for classified employees, depending on various incentives and years of service. Payment for administrators, supervisors, and classified supervisors is made for one half up to fifty-three days or more with certain incentives.

B. Health Care Benefits

The School District provides medical, prescription drug, and dental insurance benefits to all employees through a partially self-insured program.

Fremont City School District
Sandusky County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

C. Special Termination Benefits

The School District offers a special termination benefit to employees in the first year they are eligible to retire from their respective retirement system. The benefit is available to certified employees who have five or more years of consecutive service and retire from STRS and to classified employees who have seventeen or more years of consecutive service and retire from SERS. The bonus, of twenty days calculated at the employee's daily rate at the time of retirement, will be paid after January 1 and before March 31 of the year following retirement for certified employees and within sixty days of retirement acceptance for classified employees. The bonus carries a provision that classified employees must also have accrued in excess of one hundred fifty days of unused sick leave at the time of retirement.

NOTE 15: LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Outstanding 6/30/16	Additions	Reductions	Outstanding 6/30/17	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2016 Refunding Bonds					
Serial and Term Bonds	\$ 7,165,000	\$ 0	\$ (60,000)	\$ 7,105,000	\$ 10,000
Unamortized Premium	907,063	0	(72,547)	834,516	0
2015 Refunding Bonds					
Serial and Term Bonds	7,260,000	0	(45,000)	7,215,000	80,000
Capital Appreciation Bonds	239,935	0	0	239,935	0
Accretion on Bonds	6,687	62,217	0	68,904	0
Unamortized Premium	842,929	0	(66,506)	776,423	0
2009B School Facilities					
Serial and Term Bonds	265,000	0	0	265,000	0
Capital Appreciation Bonds	239,877	0	(66,065)	173,812	173,812
Accretion on Bonds	199,977	57,054	(188,935)	68,096	68,096
Unamortized Premium	4,254	0	(2,652)	1,602	0
2009A School Facilities					
Serial and Term Bonds	520,000	0	0	520,000	255,000
Capital Appreciation Bonds	57,028	0	(57,028)	0	0
Accretion on Bonds	150,627	42,345	(192,972)	0	0
Unamortized Premium	12,669	0	(12,669)	0	0
Total General Obligation Bonds	17,871,046	161,616	(764,374)	17,268,288	586,908
Net Pension Liability					
STRS	49,471,119	9,476,787	0	58,947,906	0
SERS	9,865,328	2,910,487	0	12,775,815	0
Total Net Pension Liability	59,336,447	12,387,274	0	71,723,721	0
Compensated Absences	2,901,596	1,094,378	(71,251)	3,924,723	558,264
Total Governmental Activities Long-Term Liabilities	\$ 80,109,089	\$ 13,643,268	\$ (835,625)	\$ 92,916,732	\$ 1,145,172

Fremont City School District
Sandusky County, Ohio
Notes to the Basic Financial Statements
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During fiscal year 2010, the School District issued \$9,499,877 in general obligation bonds with a maturity date of July 15, 2037. The bonds are a combination of serial, term and capital appreciation bonds. The interest rates vary between 3% and 4.5% for serial bonds, 5% for term bonds and 18.80% for capital appreciation bonds. The capital appreciation bonds mature in fiscal years 2017 and 2018 with par values of \$255,000 and \$260,000 respectively. The bonds will be used to finance construction and improvements of school buildings and facilities. The principal payments began in fiscal year 2010.

On January 28, 2009 the School District issued \$9,134,991 in general obligation bonds with a maturity date of July 15, 2037. The bonds are a combination of serial, term and capital appreciation bonds. The interest rates vary between 3% and 3.125% for serial bonds, 3.875%-4.75% for term bonds and 19.446% for capital appreciation bonds. The remaining capital appreciation bond matured in fiscal year 2017 with a par value of \$250,000. The bonds will be used to finance construction and improvements of school buildings and facilities.

The School District refunded the 2009B and 2009A School Facilities bonds to reduce their total debt service payments and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$638,442 and \$714,593, respectively.

On December 1, 2015, the School District issued \$7,499,935 in general obligation bonds with interest rates ranging from 1% to 4% for serial and term bonds and 23.81% for capital appreciation bonds to advance refund \$7,500,000 of outstanding 2009B School Facilities bonds with an average interest rate of 4.82%. The bond proceeds consisted of bond principal and \$909,837 of premium. The net proceeds of \$8,451,014 (after payment of \$135,270 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of 2009B School Facilities refunded. As a result of this issue, a portion of the 2009B School Facilities bonds are considered to be redeemed and the liability has been removed. The old debt has a final call date of January 15, 2019 in which the debt will be repaid.

On March 15, 2016, the School District issued \$7,165,000 in general obligation bonds with interest rates ranging from 2% to 4% for serial and term bonds to advance refund \$7,235,000 of outstanding 2009A School Facilities bonds with an average interest rate of 4.57%. The bond proceeds consisted of bond principal and \$980,223 of premium. The net proceeds of \$8,020,619 (after payment of \$124,604 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of 2009A School Facilities refunded. As a result of this issue, a portion of the 2009A School Facilities bonds are considered to be redeemed and the liability has been removed. The old debt has a final call date of January 15, 2019 in which the debt will be repaid.

Compensated absences will be paid from the general fund and the Food Service, the IDEA, Part B and Title I special revenue funds.

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

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

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017, were as follows:

Fiscal Year Ending June 30,	Total	
	Principal	Interest
2018	\$ 586,908	\$ 552,331
2019	620,000	543,281
2020	486,430	517,000
2021	402,409	508,450
2022	640,000	499,600
2023 - 2027	3,535,000	2,186,750
2028 - 2032	4,240,000	1,504,675
2033 - 2037	5,145,000	631,750
Total	\$ 15,655,747	\$ 6,943,837

NOTE 16: SET ASIDES

The School 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 School 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 School District had 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 Improvement Reserve
Set Aside Restricted Balance June 30, 2016	\$ 0
Current Year Set-Aside Requirement	716,912
Current Year Offsets	(804,240)
Total	\$ (87,328)
Balance Carried Forward to Fiscal Year 2018	\$ 0
Set Aside Balance June 30, 2017	\$ 0

Fremont City School District
Sandusky County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 17: JOINTLY GOVERNED ORGANIZATION

A. Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among local school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. During fiscal year 2017, the School District paid \$143,891 to NOECA for various services. Financial information can be obtained from Matthew Bauer, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

B. Vanguard-Sentinel Career Center

The Vanguard-Sentinel Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of two representatives from the School District and one representative from the other thirteen participating school districts' elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Vanguard-Sentinel Career Center, Alan Binger, who serves as Treasurer, 1306 Cedar Street, Fremont, Ohio 43420.

C. Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 201 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. During fiscal year 2017 the School District paid the Council \$56,907 for natural gas purchases, \$19,041 for life insurance, and \$925 for membership fees. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

NOTE 18: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 School District, if applicable, cannot be determined at this time nor does management believe any such disallowed claims will have a material adverse effect on the overall financial position of the School District at June 30, 2017.

Fremont City School District
Sandusky County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

C. School District Foundation

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 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.

D. Tax Reassessment

On January 15, 2014 American Municipal Power, Inc (a public utility company) filed a petition for a reassessment of public utility property tax values with the Ohio Department of Taxation for the Return Year 2013. As of the date of the issuance of the financial statements, the results of the petition and potential reassessment are unknown. Sandusky County and the School District have estimated a repayment of taxes in the amount of \$620,000 if a successful claim would be awarded in the favor of American Municipal Power, Inc. Also, if the claim is successful, and additional \$1.9 million of tax repayments are estimated for the 2014-2016 tax years.

NOTE 19: INTERFUND

A. Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Fund	Transfer In	Transfer Out
General Fund	\$ 211,482	\$ 346,550
Nonmajor Governmental Funds	346,550	211,482
Total	\$ 558,032	\$ 558,032

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute 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, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Fremont City School District
Sandusky County, Ohio
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For the Fiscal Year Ended June 30, 2017

In addition, the School District transferred \$211,482 from the special trust special revenue fund to the general fund as permitted under Section 5705.14 (D) of the Ohio Revised Code. The general fund then transferred the \$211,482 to the permanent improvement capital projects fund.

B. Interfund Balances

Interfund balances at June 30, 2017, consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 2,787	\$ 0
Nonmajor Governmental Funds	0	2,787
Total	\$ 2,787	\$ 2,787

The general fund advanced monies to nonmajor governmental funds to cover negative cash balances in special revenue funds.

NOTE 20: SIGNIFICANT COMMITMENTS

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed or assigned classifications of fund balance. At fiscal year end, the School District's commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General Fund	\$ 315,805
Nonmajor Governmental Funds	312,049
	\$ 627,854

NOTE 21: SUBSEQUENT EVENT

The School District issued \$40,135,000 in Series 2017A Bonds and \$18,500,000 in Series 2017B Bonds on July 27, 2017. The interest rate of the bonds varies between 2 and 5 percent. The final maturity date of the bonds is in January 2055. The bonds are being issued for the purpose of constructing and renovating school facilities.

Fremont City School District
Sandusky County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net Pension Liability	0.17610576%	0.17900273%	0.17492557%	0.17492557%
School District's Proportionate Share of the Net Pension Liability	\$ 58,947,906	\$ 49,471,119	\$ 42,547,952	\$ 50,682,843
School District's Covered Payroll	\$ 18,586,571	\$ 18,749,086	\$ 18,038,231	\$ 17,945,700
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	317.15%	263.86%	235.88%	282.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net Pension Liability	0.17455500%	0.17289100%	0.17456000%	0.17456000%
School District's Proportionate Share of the Net Pension Liability	\$ 12,775,815	\$ 9,865,328	\$ 8,834,382	\$ 10,380,523
School District's Covered Payroll	\$ 5,406,507	\$ 5,201,108	\$ 5,092,504	\$ 4,880,535
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	236.30%	189.68%	173.48%	212.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

Fremont City School District
Sandusky County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Five Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>					
Contractually Required Contribution	\$ 2,864,743	\$ 2,602,120	\$ 2,624,872	\$ 2,344,970	\$ 2,332,941
Contributions in Relation to the Contractually Required Contribution	<u>(2,864,743)</u>	<u>(2,602,120)</u>	<u>(2,624,872)</u>	<u>(2,344,970)</u>	<u>(2,332,941)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 20,462,450	\$ 18,586,571	\$ 18,749,086	\$ 18,038,231	\$ 17,945,700
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%
<i>School Employees Retirement System (SERS)</i>					
Contractually Required Contribution	\$ 792,138	\$ 756,911	\$ 685,506	\$ 705,821	\$ 675,466
Contributions in Relation to the Contractually Required Contribution	<u>(792,138)</u>	<u>(756,911)</u>	<u>(685,506)</u>	<u>(705,821)</u>	<u>(675,466)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 5,658,129	\$ 5,406,507	\$ 5,201,108	\$ 5,092,504	\$ 4,880,535
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

(1) Information prior to 2013 not available.

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December 12, 2017

The Board of Education
Fremont City School District
500 West State Street Suite A
Fremont, OH 43420

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*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County, Ohio (the "School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free 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.

Rea & Associates, Inc.

Medina, Ohio

December 12, 2017

The Board of Education
Fremont City School District
500 West State Street Suite A
Fremont, OH 43420

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited the Fremont City School District's, Sandusky County, Ohio (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2017. The School'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Hea & Associates, Inc.

Medina, Ohio

Fremont City School District
Sandusky County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Program Year	Federal Disbursements	Passed Through to Subrecipients
U. S. Department of Education (Passed Through Ohio Department of Education):				
Title I-A Improving Basic Programs	84.010	2016	\$ 151,697	\$ 0
Title I-A Improving Basic Programs	84.010	2017	<u>1,011,462</u>	<u>0</u>
Total Title I-A Improving Basic Programs			<u>1,163,159</u>	<u>0</u>
Title I-C Migrant	84.011	2016	128,172	0
Title I-C Migrant	84.011	2017	<u>53,062</u>	<u>0</u>
Total Title I-C Migrant			<u>181,234</u>	<u>0</u>
Title I-D Delinquent	84.013	2016	11,937	0
Title I-D Delinquent	84.013	2017	<u>63,331</u>	<u>0</u>
Total Title I-D Delinquent			<u>75,268</u>	<u>0</u>
<i>Special Education Cluster:</i>				
IDEA-B Special Education	84.027	2016	134,572	0
IDEA-B Special Education	84.027	2017	<u>873,380</u>	<u>0</u>
Total IDEA-B Special Education			<u>1,007,952</u>	<u>0</u>
IDEA Preschool Grant	84.173	2017	<u>26,679</u>	<u>0</u>
<i>Total Special Education Cluster</i>			<u>1,034,631</u>	<u>0</u>
21st Century Learning	84.287	2017	101,522	
Title VI-B Rural and Low-Income	84.358	2016	15,559	0
Title VI-B Rural and Low-Income	84.358	2017	<u>18,954</u>	<u>0</u>
Total Title VI-B Rural and Low-Income			<u>34,513</u>	<u>0</u>
Title III LEP	84.365	2016	3,992	0
Title III LEP	84.365	2017	<u>21,459</u>	<u>0</u>
Total Title III LEP			<u>25,451</u>	<u>0</u>
Title II-A - Improving Teacher Quality	84.367	2016	40,781	0
Title II-A - Improving Teacher Quality	84.367	2017	<u>192,903</u>	<u>0</u>
Total Title II-A - Improving Teacher Quality			<u>233,684</u>	<u>0</u>
Total U.S. Department of Education			<u>2,849,462</u>	<u>0</u>
U. S. Department of Agriculture (Passed Through Ohio Department of Education):				
<i>Child Nutrition Cluster:</i>				
Non-Cash Assistance:				
National School Breakfast Program	10.553	2017	37,150	0
National School Lunch Program	10.555	2017	142,451	0
Cash Assistance:				
School Breakfast Program	10.553	2017	277,368	0
National School Lunch Program	10.555	2017	1,063,571	0
Summer Food Service Program	10.559	2017	<u>18,972</u>	<u>0</u>
<i>Total Child Nutrition Cluster</i>			<u>1,539,512</u>	<u>0</u>
Child and Adult Care Food Program	10.558	2017	6,353	0
Healthier US School Challenge	10.543	2017	<u>8,000</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>1,553,865</u>	<u>0</u>
Total Federal Assistance			<u>\$ 4,403,327</u>	<u>\$ 0</u>

See accompanying notes to this schedule

Fremont City School District
Sandusky County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The School District transferred the following amounts from 2017 to 2018 programs:

<u>Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Amt.</u> <u>Transferred</u>
IDEA-B Special Education	84.027	\$ 315

Fremont City School District
Sandusky County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material control weaknesses in internal control reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d) (1) (vii)	Major Programs (list): Child Nutrition Cluster	CFDA # 10.553/10.555/10.559
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None were noted

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Jon C. Detwiler
Superintendent

Amelia R. Gioffredo
Treasurer

Fremont City School District
Sandusky County, Ohio
Schedule of Prior Audit Findings
2 CFR 200.511(b)
For the Fiscal Year Ended June 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Meal counts obtained from the point-of-sale (POS) system for four months did not agree to the amounts identified and received for reimbursement.	Corrective Action Taken and Finding is Fully Corrected.	
2016-002	Expenditures to the Title I program related to salary costs in excess of the amount approved on the approved semi-annual certificate.	Corrective Action Taken and Finding is Fully Corrected.	
2016-003	Salary and benefit expenditures recorded in the Title I program were provided to ineligible schools.	Corrective Action Taken and Finding is Fully Corrected.	

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Dave Yost • Auditor of State

FREMONT CITY SCHOOL DISTRICT

SANDUSKY 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
MARCH 1, 2018**