BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

BRUNSWICK CITY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Brunswick City School District
Medina County
3643 Center Road
Brunswick, Ohio 44212

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

March 4, 2019

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The discussion and analysis of the Brunswick 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, 2018. 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 2018 are as follows:

- Net position increased $47.7 million over fiscal year 2017, mainly due to unspent proceeds from bonds issued during the year. This increase was also impacted by a decrease in net pension liability and net OPEB liability that substantially decreased all instructional and support services expenses compared to fiscal year 2017. See further explanation after Table 1.

- Capital assets increased $1.2 million during fiscal year 2018.

- During the fiscal year, outstanding debt increased from $29.0 million to $77.1 million. The School District issued $35.7 million in bond anticipation notes and $46.5 million in general obligation bonds. Principal payments amounted to $37.4 million which included paying off of bond anticipation notes.

- The School District implemented GASB 75, which reduced beginning net position as previously reported by $24.8 million.

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 Brunswick City 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 Brunswick City School District, the general, building and classroom facilities funds are the most significant 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 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all nonfiduciary 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 has taken into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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 Fund

Fund Financial Statements

The Fund financial statements begin on page 22. 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, building and classroom facilities funds.

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

Reporting the School District's Fiduciary Responsibilities

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 three agency funds. The School District's fiduciary activities are reported in a separate *Statement of Fiduciary Assets and Liabilities* on page 27. 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.

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 2018 compared to 2017:

Table 1
Net Position

	Governmental Activities	
	2018	Restated 2017
Assets		
Current and Other Assets	$ 115,945,217	$ 61,745,084
Capital Assets	38,303,809	37,074,882
Total Assets	154,249,026	98,819,966
Deferred Outflows of Resources		
Deferred Charges on Refunding	336,112	382,173
Pension & OPEB	26,540,522	22,001,277
Deferred Outflows of Resources	26,876,634	22,383,450
Liabilities		
Other Liabilities	10,313,230	9,119,229
Long-Term Liabilities:		
Due Within One Year	3,633,601	2,583,960
Due in More Than One Year:		
Pension & OPEB	107,596,960	146,428,294
Other Amounts	79,403,759	31,927,443
Total Liabilities	200,947,550	190,058,926
Deferred Inflows of Resources		
Property Taxes	30,025,804	33,803,462
Pension & OPEB	9,033,902	3,960,143
Total Deferred Inflows of Resources	39,059,706	37,763,605
Net Position		
Net Investment in Capital Assets	11,944,043	8,717,310
Restricted	52,226,459	8,182,191
Unrestricted	(123,052,098)	(123,518,616)
Total Net Position	$ (58,881,596)	$ (106,619,115)

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a deficit of $81.8 million to a deficit of $106.6 million.

A portion of the School District's net position, $52.2 million 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 $123.1 million, which is primarily caused by GASB 68.

Total assets increased $55.4 million over fiscal year 2017. Total cash increased $53.7 million over fiscal year 2017 due to unspent bond proceeds for the Ohio Facilities Construction Commission project scheduled to begin in fiscal year 2019. Capital assets increased $1.2 million from acquisitions exceeding depreciation and disposals. The School District purchased $0.9 million in land during the year for a new middle school. Deferred outflows related to pension and OPEB increased $4.5 million over fiscal year 2017.

There was an increase of $0.9 million in contracts payable due to window and roof replacements. Net pension and OPEB liabilities decreased $33.8 million and $5.0 million, respectively while deferred inflows related to pension and OPEB increased $2.6 million and $2.5 million, respectively from fiscal year 2017.

The significant decrease in net pension liability is largely the result of a change in benefit terms in which STRS reduced their COLA to zero coupled by a slight reduction in COLA benefits by SERS. The significant increase in deferred outflows and inflows related to pension/OPEB are primarily from the change of assumptions and the difference in projected and actual investments earnings, respectively. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL and are described in more detail in their respective notes.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program Revenues:		
Charges for Services	$ 3,585,655	$ 3,322,444
Operating Grants	6,767,671	6,372,291
Total Program Revenues	10,353,326	9,694,735
General Revenues:		
Property Taxes	44,345,436	39,583,472
Grants and Entitlements Not Restricted	34,895,695	34,701,780
Payments in Lieu of Taxes	134,936	115,000
Other	1,676,159	333,639
Total General Revenues	81,052,226	74,733,891
Total Revenues	91,405,552	84,428,626
Program Expenses		
Instruction:		
Regular	12,976,421	33,315,559
Special	2,384,935	7,216,388
Vocational	(171,419)	344,893
Other	2,218,077	2,220,965
Support Services:		
Pupils	4,721,368	8,041,336
Instructional Staff	1,101,600	2,724,865
Board of Education	331,670	628,994
Administration	1,888,812	4,885,617
Fiscal	1,470,210	1,671,744
Business	511,445	871,196
Operation and Maintenance of Plant	6,005,349	6,792,087
Pupil Transportation	4,587,422	5,930,075
Central	298,651	258,507
Operation of Non-Instructional Services:		
Food Service Operations	1,899,333	2,156,869
Community Services	394,029	505,728
Extracurricular Activities	747,068	1,681,269
Debt Service:		
Interest and Fiscal Charges	2,303,062	1,255,644
Total Expenses	43,668,033	80,501,736
Increase (Decrease) in Net Position	$ 47,737,519	$ 3,926,890

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $170,693 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $3,056,524. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	$ 43,668,033
Negative OPEB Expense under GASB 75	3,056,524
2018 Contractually Required Contribution	221,086
Adjusted 2018 Program Expenses	46,945,643
Total 2017 Program Expenses under GASB 45	80,501,736
Decrease in Program Expenses not Related to OPEB	$ (33,556,093)

Total revenues increased $7.0 million over fiscal year 2017. Property taxes showed an increase of $4.8 million, mainly due to an increase in taxes available for advance at year end. The County refunded excess fees to the School District of $0.8 million accounting for the majority of the increase in miscellaneous revenue.

See financial highlights for explanation of fluctuations in instructional and support services expenses. The negative expense reported by vocational instruction was also caused by these accruals.

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.

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Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2018	2017	2018	2017
Instruction:				
Regular	$ 12,976,421	$ 33,315,559	$ 10,606,321	$ 31,745,666
Special	2,384,935	7,216,388	(1,141,363)	3,772,013
Vocational	(171,419)	344,893	(492,519)	(15,462)
Other	2,218,077	2,220,965	2,218,077	2,220,965
Support Services:				
Pupils	4,721,368	8,041,336	4,365,970	7,628,897
Instructional Staff	1,101,600	2,724,865	984,807	2,590,244
Board of Education	331,670	628,994	331,670	628,994
Administration	1,888,812	4,885,617	1,791,617	4,784,444
Fiscal	1,470,210	1,671,744	1,465,342	1,671,744
Business	511,445	871,196	511,445	871,196
Operation and Maintenance of Plant	6,005,349	6,792,087	5,945,274	6,745,631
Pupil Transportation	4,587,422	5,930,075	4,195,171	5,520,298
Central	298,651	258,507	298,651	238,707
Operation of Non-Instructional Services:				
Food Service Operations	1,899,333	2,156,869	68,600	246,304
Community Services	394,029	505,728	(72,785)	64,000
Extracurricular Activities	747,068	1,681,269	141,221	1,042,908
Debt Service:				
Interest and Fiscal Charges	2,303,062	1,255,644	2,097,208	1,050,452
Total Expenses	$ 43,668,033	$ 80,501,736	$ 33,314,707	$ 70,807,001

The dependence upon general revenues for governmental activities is apparent. Just over 76 percent of governmental activities are supported through taxes and other general revenues; such revenues are 89 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

The total and net cost of services changes were primarily caused by the change in COLA related to NPL as previously discussed.

Governmental Funds

Information about the School District's major funds starts on page 22. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had an increase in fund balance of $57.7 million.

The general fund's net change in fund balance for fiscal year 2018 was an increase of $7.2 million. Revenues increased by $4.4 million from the prior year. Property and other local tax revenue increased $2.8 million over fiscal year 2017 due, in part, to an increase in property taxes available for advance at year end. Miscellaneous revenues showed an increase due to a refund from the County as explained previously. Expenditures increased $2.3 million, which represents an increase of 3 percent.

The building fund showed an increase in fund balance of $14.1 million over fiscal year 2017 which is mainly due to unspent bond proceeds for the Ohio Facilities Construction Commission project to construct a new middle school.

The classroom facilities fund showed an increase in fund balance of $31.9 million over fiscal year 2017 which is due to a transfer from the debt service fund to pay off the bond anticipation note issued for the upcoming Ohio Facilities Construction Commission project.

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 2018, 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.

For the general fund, actual budget basis revenue was $2.3 million lower than the final budget basis revenue of $73.7 million mainly due to taxes and intergovernmental revenues. Final budget basis revenue was $1.2 million less than original budget estimates of $74.9 million.

Final expenditure appropriations of $71.9 million were $2.1 million higher than the actual expenditures of $69.8 million with the largest difference in support service expenditures. Original expenditure appropriations of $71.9 million were $15,730 higher than final expenditure appropriations.

There were no significant differences in other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $38.3 million invested in capital assets. Table 4 shows fiscal year 2018 balances compared with 2017.

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

	Governmental Activities	
	2018	2017
Land	$ 2,494,645	$ 1,580,645
Land Improvements	1,434,755	1,505,193
Buildings and Improvements	30,288,195	30,740,616
Furniture and Equipment	1,760,199	1,926,492
Vehicles	2,326,015	1,321,936
Totals	$ 38,303,809	$ 37,074,882

The $1.2 million increase in capital assets was attributable to current year purchases exceeding depreciation and disposals. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2018, the School District had $77.1 million in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2018	2017
General Obligation Bonds:		
Serial and Term Bonds	$ 54,425,000	$ 8,293,468
Unamortized Bond Premiums	3,963,376	524,003
Capital Appreciation Bonds	0	267,274
Accretion on Capital Appreciation Bonds	0	291,722
Certificates of Participation:		
Bonds	18,670,000	19,655,000
Total	$ 77,058,376	$ 29,031,467

The School District issued $46.5 million in general obligation bonds in fiscal year 2018 to construct a new middle school.

Current Issues

Brunswick City School District will have another year of financial stability. As the preceding information indicates, the School District heavily depends on its local property taxpayers as well as the State for its revenues.

Local Revenues:

Emergency Levy I was originally passed in November 1992 for a five year period for 5.91 mills and it currently generates $2.02 million per year. It has been renewed four times and in March 2012 was renewed for an eight-year period, expiring in December 2019. Emergency Levy I is currently collected at 1.9 mills. Emergency Levy II was originally passed in November 1994 for a five year period for 7.82 mills and it generates $3.2 million per year. It has been renewed four times and in May 2016 was renewed for an eight year period. It will expire in December 2024 and is currently collected at 3.0 mills. Emergency Levy III was originally passed in May 2004 for a five-year period for 6.7 mills and it generates $4.67 million per year. It has been renewed twice and in May 2014 was renewed for an eight year period. It will expire in December 2021. It is currently being collected at 5.3 mills. Emergency Levy IV was originally passed in May 2006 for a five-year period for 4.9 mills and it generates approximately $4.72 million per year. It has been renewed once in November 2010 for a seven-year period and most recently for a ten year period in November 2017. It will expire in December 2027. It is currently collected at 4.9 mils.

State law fixes the amount of tax revenue, forcing it to remain constant except for increases in valuation due to new construction in the School District. In addition, legislation passed in recent years has had the effect of further eroding tax revenues by the decrease in assessment rate upon both the inventory component of personal property tax and public utility tangible property valuation. House Bill (HB) 66 has further eradicated personal (tangible) property tax revenue and effective in 2015, Governor Kasich's 2016-2017 Budget Bill all but eliminated the Property Tax Replacement Fund and resulted in additional lost revenue. The School District lost over $41.6 million in taxable valuation and this class of property was not subject to HB 920.

Sales Tax:

In May 2007, Medina County residents passed the first-ever Sales Tax Initiative for Permanent Improvements for school districts. The one-half of one percent (0.5%) sales tax generates approximately $13 million dollars per year for the school districts in Medina County. Based upon our School District's pro-rata share of the student population, Brunswick City Schools will receive approximately $3.3 million per year. This levy became effective October 1, 2007 and will last until 2037.

Sales tax levy proceeds may only be used for capital type expenditures. The Board of Education has made a serious commitment to use these funds to upgrade technology district-wide. This includes a district-wide one-to-one initiative, computer labs in the high school and middle schools, and presentation stations in the elementary buildings. The *Technology Committee* presented a five-year plan to the Board of Education that received unanimous support and approval. In order to keep a promise to voters, the Board of Education passed a resolution to suspend collection on the Permanent Improvement Levy that was renewed in November 2006 as a result of the influx of sales tax revenues.

State Revenues:

The legislature considers modifications to aid to school every two years in the State's Biennial Budget.

- In FY 2008 - FY 2009 the State used the Foundation Program changing from a per pupil formula amount to a computer base cost funding and categorical funding.
- In FY 2010 - FY 2011 the State introduced the Evidenced Based Model providing for an adequacy amount and aid was calculated as a sum of delineated factors.
- In FY 2012 - FY 2013 the ODE used a Temporary Formula based on a wealth-adjusted portion.
- In FY 2014 - FY 2015 the State Budget Act repealed the funding system and imposed caps on increases in State Aid. This limited the calculated growth in state aid a district could receive.
- In FY 2016 - FY 2017 the State again modified the "formula" using the Opportunity Grant moniker to distinguish it from prior years. Again the State set caps so that districts would be limited in the amount of State Aid received.
- The Governor's new biennial budget (7/1/17-6/30/19) essentially maintained the current amount of *Basic Aid* for the School District as in the prior year and any increases are subject to a new formula cap.

State Funding:

Over nineteen years ago the *DeRolph* (school funding) Case was filed in Perry County, Ohio. The first case was heard in October 1993 and Judge Linton Lewis, Jr. ruled, in July 1994, the Ohio's school-funding system unconstitutional. Following his ruling, the 5th District Court of Appeals overturned Judge Lewis's decision after the State appealed the decision ruling that the state legislature should determine the level of funding. Following that ruling, over 82% of the state's public school districts appealed to the Ohio Supreme Court's decision.

In September 2001, the court again said that the system remains unconstitutional but ordered a fix to bring it up to Ohio's "thorough and efficient" standard.

In October 2003, the United States Supreme Court declined to hear the case as submitted by the *Ohio Coalition for Equity and Adequacy of School Funding,* and thus effectively ended the *DeRolph* litigation.

In 2004 former Governor Bob Taft formed a 35-member "blue ribbon" commission to recommend changes to the school funding system. Taft's commission had found that Ohio's state share of school funding is below the national average, overall per pupil spending is above the national average, and the overall business tax burden is somewhere in the middle of surrounding states when you include Illinois.

Ex-Governor Ted Strickland vowed to enhance the availability of funds for primary and secondary education but the legislature did not cooperate with his mandate. There was also a grassroots effort to change the funding for education but it has yet had the required signatures for placement on the ballot. Governor Strickland was in office for four years and we did not experience a fix.

A majority of the educators, lawmakers and business leaders support asking the General Assembly to put a constitutional amendment on the ballot to alter a provision enacted in 1976 and added to the constitution in 1980. This provision is commonly known as House Bill (HB) 920 and it prohibits increases in real property tax revenue without a local vote. Ohio has had a provision similar to HB 920 in state law since 1925. The commission proposal would give all school districts 22 mills, from the current 20 mills, on real property in which the revenue would grow with inflation or increases in property values.

Currently the School District is close to the 20-mill floor, like approximately 60% of other Ohio school districts. The two additional mills on Residential, Agricultural, and other real property could generate an almost $2.0 million per year for the School District. However, this action would be contrary to the ten-year old (March 1997) DeRolph decision by placing the burden back on the property owner.

The School District has experienced an increase in State revenue over the last decade but is anticipating limited growth based upon the most recent two-year State budget. Through the American Recovery and Reinvestment Act (ARRA) the School District received approximately $1.4 million in Federal dollars to augment the loss of State Revenue in the Foundation (Basic Aid) Program. This infusion of cash was only a two-year program and expired at the end of fiscal year 2011.

The Federal government had also implemented an *Education Jobs Initiative* that added approximately $1.1 million in additional dollars to fund the employment/rehiring of displaced instructional staff. This again was a two year program with a limited lifespan and expired at the end of fiscal year 2012.

Capital Initiatives:

The State of Ohio initially required public school districts to offer all-day kindergarten (ADK) effective August 2010. This mandate was subsequently rescinded after we initiated our expansion program. Because of the lack of classrooms at our seven elementary buildings the School District underwent a construction project to expand five of those elementary buildings. The $24 million project also included additions to one middle school and the high school stadium. This construction project was bid in several phases and was funded without an increase in taxes to the voters.

The source of revenue for the $24 million expansion was the sale of Certificates of Participation (COPs) which will be repaid through the *Medina County Sales Tax Fund*. At the close of fiscal year 2010 the School District had arranged the sale of the COPs. The School District was able to sell a combination of Qualified School Construction Bonds (QSCBs), Build America Bonds (BABs), and the remainder Tax Exempt Debt (TEDs). This type of financing was advantageous in that is allowed the district to save on interest on its debt over traditional type financing.

The School District was limited by the Ohio School Facilities Commission (OSFC) in the amount of QSCBs the School District could issue. We sold $4 million in QSCB, 16% of the total COPs issue at a net interest cost of less than one percent (0.94%). We sold $15.5 million in BABs, 63% of the total COPs issue at a net interest cost of 4.22%. The remainder, $5.1 million, was sold as TEDs at a net interest cost of 2.42%. The length of the entire issue is approximately 23 years and an average net debt service payment of less than $1.6 million per year. Subsequently the School District refunded 100% ($15.5 M) of the Build America Bonds; this action was prompted by the government's sequestration and reduction of the rebate from the IRS.

Phase A of the project included Applewood Elementary, Crestview Elementary, and Kidder Elementary. Phase B included Hickory Ridge Elementary, Towslee Elementary, and Visintainer Middle School. The Phase A and B of the construction project was finished prior to the start of the 2011-2012 school year. Phase C, the remainder of the project which included the Brunswick High School Athletic Complex, the stadium renovation was completed in the summer of 2011.

In 2014, the School District refunded the Build America Bonds (BABs) with standard tax exempt debt. This enabled the School District to save additional funds through a lower interest rate. The covenants of the debt instrument permitted the refunding because the federal government failed to provide 100% of the rebate as initially guaranteed.

Summary:

The School District's current five-year forecast projects no new infusion of revenue through voted referendums however this is subject to the ongoing cost of general operations and the impact they have on the long-term outlook of the District. As mentioned earlier in the MD&A, the School District will have an emergency levy expiring at the end of calendar year 2019. Failure to renew this levy could have devastating effects on the operation of the School District and the elimination or reduction of instruction programs.

Challenges such as those noted above require thoughtful resource allocation planning by management to make sure student needs are met over the next five years and to delicately manage its dependence upon local tax revenue.

In conclusion, the School District is well regarded for its budgeting practices and set of internal controls. It has committed itself to transparency and providing constituents with the best available financial information. This philosophy and focused purpose will help to meet the challenges of the future.

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 Mark Pepera, Chief Financial Officer of Brunswick City School District, 3643 Center Road, Brunswick, Ohio 44212 or mpepera@bcsoh.org.

Basic Financial Statements

Brunswick City School District
Medina County, Ohio
Statement of Net Position
June 30, 2018

		Governmental Activities
Assets		
Equity in Pooled Cash and Cash Investments	$	61,413,125
Investments in Segregated Accounts		9,980,985
Inventory Held For Resale		15,369
Materials and Supplies Inventory		312,837
Receivables:		
Intergovernmental		4,567,743
Property Taxes		39,555,379
Prepaid Items		99,779
Nondepreciable Capital Assets		2,494,645
Depreciable Capital Assets (Net)		35,809,164
Total Assets		154,249,026
Deferred Outflows of Resources		
Deferred Charges on Debt Refunding		336,112
Pension		25,665,805
OPEB		874,717
Total Deferred Outflows of Resources		26,876,634
Liabilities		
Accounts Payable		226,593
Accrued Wages and Benefits		7,488,444
Contracts Payable		852,325
Intergovernmental Payable		1,243,771
Accrued Vacation Leave Payable		137,608
Matured Compensated Absences Payable		80,037
Accrued Interest Payable		284,452
Long Term Liabilities:		
Due Within One Year		3,633,601
Due In More Than One Year:		
Net Pension Liability		87,702,048
Net OPEB Liability		19,894,912
Other Amounts Due in More Than One Year		79,403,759
Total Liabilities		200,947,550
Deferred Inflows of Resources		
Property Taxes Levied for the Next Year		30,025,804
Pension		6,557,500
OPEB		2,476,402
Total Deferred Inflows of Resources		39,059,706
Net Position		
Net Investment in Capital Assets		11,944,043
Restricted For:		
Capital Outlay		50,255,884
Other Purposes		1,970,575
Unrestricted		(123,052,098)
Total Net Position	$	(58,881,596)

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction:				
Regular	$ 12,976,421	$ 1,622,378	$ 747,722	$ (10,606,321)
Special	2,384,935	189,924	3,336,374	1,141,363
Vocational	(171,419)	0	321,100	492,519
Other	2,218,077	0	0	(2,218,077)
Support Services:				
Pupils	4,721,368	0	355,398	(4,365,970)
Instructional Staff	1,101,600	0	116,793	(984,807)
Board of Education	331,670	0	0	(331,670)
Administration	1,888,812	0	97,195	(1,791,617)
Fiscal	1,470,210	1,752	3,116	(1,465,342)
Business	511,445	0	0	(511,445)
Operation and Maintenance of Plant	6,005,349	4,991	55,084	(5,945,274)
Pupil Transportation	4,587,422	78,917	313,334	(4,195,171)
Central	298,651	0	0	(298,651)
Operation of Non-Instructional Services:				
Food Service Operations	1,899,333	1,108,647	722,086	(68,600)
Community Services	394,029	0	466,814	72,785
Extracurricular Activities	747,068	579,046	26,801	(141,221)
Debt Service:				
Interest and Fiscal Charges	2,303,062	0	205,854	(2,097,208)
Total	$ 43,668,033	$ 3,585,655	$ 6,767,671	(33,314,707)

General Revenues	
Property Taxes Levied for:	
General Purposes	40,158,266
Debt Service	3,338,222
Capital Outlay	848,948
Grants and Entitlements Not Restricted to Specific Programs	34,895,695
Payments in Lieu of Taxes	134,936
Investment Earnings	598,548
Miscellaneous	1,077,611
Total General Revenues	81,052,226
Change in Net Position	47,737,519
Net Position Beginning of Year (Restated, See Note 2)	(106,619,115)
Net Position End of Year	$ (58,881,596)

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	$ 15,610,146	$ 14,934,751	$ 21,869,784	$ 8,998,444	$ 61,413,125
Investments in Segregated Accounts	0	0	9,980,985	0	9,980,985
Inventory Held For Resale	0	0	0	15,369	15,369
Materials and Supplies Inventory	312,837	0	0	0	312,837
Receivables:					
Interfund	552,619	0	0	0	552,619
Intergovernmental	470,389	0	0	4,097,354	4,567,743
Property Taxes	34,881,664	0	0	4,673,715	39,555,379
Prepaid Items	97,668	0	0	2,111	99,779
Total Assets	$ 51,925,323	$ 14,934,751	$ 31,850,769	$ 17,786,993	$ 116,497,836
Liabilities					
Accounts Payable	$ 121,375	$ 0	$ 0	$ 105,218	$ 226,593
Accrued Wages and Benefits	7,063,669	0	0	424,775	7,488,444
Contracts Payable	0	852,325	0	0	852,325
Intergovernmental Payable	1,146,630	0	0	97,141	1,243,771
Matured Compensated Absences Payable	80,037	0	0	0	80,037
Interfund Payable	0	0	0	552,619	552,619
Total Liabilities	8,411,711	852,325	0	1,179,753	10,443,789
Deferred Inflows of Resources					
Property Taxes Levied for the Next Fiscal Year	26,557,308	0	0	3,468,496	30,025,804
Unavailable Revenue - Delinquent Property Taxes	200,806	0	0	26,259	227,065
Unavailable Revenue - Other	0	0	0	2,773,332	2,773,332
Total Deferred Inflows of Resources	26,758,114	0	0	6,268,087	33,026,201
Fund Balances					
Nonspendable	419,710	0	0	2,111	421,821
Restricted	0	14,082,426	31,850,769	9,287,087	55,220,282
Committed	0	0	0	1,417,370	1,417,370
Assigned	11,132,158	0	0	0	11,132,158
Unassigned (Deficit)	5,203,630	0	0	(367,415)	4,836,215
Total Fund Balances	16,755,498	14,082,426	31,850,769	10,339,153	73,027,846
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 51,925,323	$ 14,934,751	$ 31,850,769	$ 17,786,993	$ 116,497,836

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$ 73,027,846
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		38,303,809
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	$ 227,065	
Local Grant from Sales Tax Levy	1,679,032	
Intergovernmental	1,094,300	3,000,397
In the statement of net position, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(284,452)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		336,112
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds.		
Deferred Outflows - Pension	25,665,805	
Deferred Outflows - OPEB	874,717	
Net Pension Liability	(87,702,048)	
Net OPEB Liability	(19,894,912)	
Deferred Inflows - Pension	(6,557,500)	
Deferred Inflows - OPEB	(2,476,402)	(90,090,340)
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	54,425,000	
Bond Premium	3,963,376	
Certificates of Participation	18,670,000	
Vacation Benefits	137,608	
Compensated Absences	5,978,984	(83,174,968)
Net Position of Governmental Activities		$ (58,881,596)

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	$ 39,746,517	$ 0	$ 0	$ 4,688,732	$ 44,435,249
Intergovernmental	33,741,785	0	0	8,444,492	42,186,277
Investment Income	450,927	38,503	147,621	24,002	661,053
Tuition and Fees	1,197,855	0	0	0	1,197,855
Extracurricular Activities	725,632	0	0	383,436	1,109,068
Rentals	23,906	0	0	25,352	49,258
Charges for Services	0	0	0	1,107,157	1,107,157
Contributions and Donations	21,304	0	0	24,660	45,964
Payment in Lieu of Taxes	134,936	0	0	0	134,936
Miscellaneous	948,077	0	0	251,850	1,199,927
Total Revenues	76,990,939	38,503	147,621	14,949,681	92,126,744
Expenditures					
Current:					
Instruction:					
Regular	33,028,540	0	0	1,422,299	34,450,839
Special	5,584,190	0	0	1,647,347	7,231,537
Vocational	22,364	0	0	163,152	185,516
Other	2,218,077	0	0	0	2,218,077
Support Services:					
Pupils	7,652,778	0	0	424,153	8,076,931
Instructional Staff	2,717,060	0	0	123,721	2,840,781
Board of Education	331,670	0	0	0	331,670
Administration	4,452,731	0	0	121,144	4,573,875
Fiscal	1,367,132	0	0	166,498	1,533,630
Business	368,301	0	0	216,092	584,393
Operation and Maintenance of Plant	5,681,655	0	0	636,418	6,318,073
Pupil Transportation	4,464,953	0	0	179,222	4,644,175
Central	260,941	0	0	57,675	318,616
Extracurricular Activities	1,366,711	0	0	481,916	1,848,627
Operation of Non-Instructional Services:					
Food Service Operations	7,394	0	0	2,071,134	2,078,528
Community Services	601	0	0	433,299	433,900
Capital Outlay	0	2,361,231	0	393,506	2,754,737
Debt Service:					
Principal Retirement	0	0	0	1,645,742	1,645,742
Interest and Fiscal Charges	0	0	0	2,628,350	2,628,350
Total Expenditures	69,525,098	2,361,231	0	12,811,668	84,697,997
Excess of Revenues Over (Under) Expenditures	7,465,841	(2,322,728)	147,621	2,138,013	7,428,747
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	2,800	0	0	0	2,800
General Obligation Bonds Issued	0	12,403,302	0	34,121,698	46,525,000
Premium on Debt Issuance	0	0	0	3,698,893	3,698,893
Transfers In	0	4,001,852	31,703,148	297,336	36,002,336
Transfers Out	(297,336)	0	0	(35,705,000)	(36,002,336)
Total Other Financing Sources (Uses)	(294,536)	16,405,154	31,703,148	2,412,927	50,226,693
Net Change in Fund Balance	7,171,305	14,082,426	31,850,769	4,550,940	57,655,440
Fund Balances Beginning of Year	9,584,193	0	0	5,788,213	15,372,406
Fund Balances End of Year	$ 16,755,498	$ 14,082,426	$ 31,850,769	$ 10,339,153	$ 73,027,846

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$ 57,655,440
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	$ 2,598,460	
Current Year Depreciation	(1,369,533)	1,228,927
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(89,813)	
Sales Taxes	(81,338)	
Intergovernmental	(550,041)	(721,192)
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	393,468	
Capital Appreciation Bonds	267,274	
Accreted Interest on Capital Appreciation Bonds	317,726	
Certificates of Participation	985,000	1,963,468
Debt proceeds issued in the governmental funds that increase long-term in the statement of net assets are not reported as revenues.		
General Obligation Bonds	(46,525,000)	
Premium on Debt Issuance	(3,503,195)	(50,028,195)
In the statement of activities, interest is accrued on outstanding bonds, bond premium and the 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	(179,893)	
Amortization of Premium on Bonds	63,822	
Amortization of Refunding Loss	(46,061)	(162,132)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	6,148,047	
OPEB	221,086	6,369,133
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension expense in the statement of activities.		
Pension	28,871,163	
OPEB	3,056,524	31,927,687
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	(499,048)	
Accrued Vacation Payable	29,435	(469,613)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		(26,004)
Change in Net Position of Governmental Activities		$ 47,737,519

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Property and Other Local Taxes	$ 37,790,812	$ 37,185,098	$ 36,006,507	$ (1,178,591)
Intergovernmental	35,137,658	34,574,470	33,478,623	(1,095,847)
Investment Income	374,072	368,076	356,410	(11,666)
Tuition and Fees	1,257,033	1,236,885	1,197,682	(39,203)
Extracurricular Activities	79,769	78,491	76,003	(2,488)
Rentals	5,238	5,154	4,991	(163)
Payment in Lieu of Taxes	141,623	139,353	134,936	(4,417)
Miscellaneous	82,508	81,185	78,612	(2,573)
Total Revenues	74,868,713	73,668,712	71,333,764	(2,334,948)
Expenditures				
Current:				
Instruction:				
Regular	32,111,418	32,165,378	32,376,814	(211,436)
Special	5,897,043	5,894,711	5,647,509	247,202
Vocational	201,512	218,044	65,922	152,122
Other	2,708,109	2,695,509	2,239,313	456,196
Support Services:				
Pupils	7,634,106	7,606,769	7,573,880	32,889
Instructional Staff	2,727,915	2,658,823	2,694,216	(35,393)
Board of Education	461,503	466,397	453,994	12,403
Administration	4,700,566	4,718,451	4,489,236	229,215
Fiscal	1,688,373	1,659,651	1,376,249	283,402
Business	550,102	547,334	447,923	99,411
Operation and Maintenance of Plant	6,300,002	6,306,140	5,953,068	353,072
Pupil Transportation	5,379,042	5,387,310	4,835,826	551,484
Central	292,519	283,519	262,785	20,734
Extracurricular Activities	1,247,519	1,268,581	1,378,363	(109,782)
Operation of Non-Instructional Services:				
Food Service Operations	10,522	10,522	4,790	5,732
Community Services	(4,772)	2,610	0	2,610
Total Expenditures	71,905,479	71,889,749	69,799,888	2,089,861
Excess of Revenues Over (Under) Expenditures	2,963,234	1,778,963	1,533,876	(245,087)
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	2,800	2,800	2,800	0
Refund of Prior Year Expenditures	879,788	879,788	879,788	0
Refund of Prior Year Receipts	(100,000)	0	0	0
Advances In	385,560	385,560	385,560	0
Advances Out	(200,000)	0	0	0
Transfers Out	(77,128)	(381,583)	(297,336)	84,247
Total Other Financing Sources (Uses)	891,020	886,565	970,812	84,247
Net Change in Fund Balance	3,854,254	2,665,528	2,504,688	(160,840)
Fund Balance Beginning of Year	10,497,771	10,497,771	10,497,771	0
Prior Year Encumbrances Appropriated	1,152,919	1,152,919	1,152,919	0
Fund Balance End of Year	$ 15,504,944	$ 14,316,218	$ 14,155,378	$ (160,840)

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2018

	Agency
Assets	
Equity in Pooled Cash and Investments	$ 267,017
Total Assets	$ 267,017
Liabilities	
Undistributed Monies	$ 14,183
Due to Students	252,834
Total Liabilities	$ 267,017

See accompanying notes to the basic financial statements.

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Note 1 – Description of the School District and Reporting Entity

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

The School District is located in Medina County and encompasses the entire City of Brunswick. The Board of Education controls the School District's 11 instructional/support facilities.

Reporting Entity

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

> *Non-public Schools* – Within the School District boundaries, St. Ambrose and St. Marks are operated as non-public schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the School District, as directed by the schools. This activity is reflected in a special revenue fund for financial reporting purposes.

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 deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations and two public entity risk pools. These organizations are the Medina County Career Center, the Ohio Schools Council Association, the Northeast Ohio Network for Educational Technology (NEOnet), the Ohio School Boards Association Workers' Compensation Group Rating Program and the Suburban Health Consortium. These organizations are presented in Notes 16 and 17 to the basic financial statements.

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 government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

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 fiscal 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 limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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 funds of the School District are divided into the two categories, governmental 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 following is the School District's major governmental fund:

> ***General Fund*** - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.
>
> ***Building Fund*** The building capital projects fund accounts for financial resources to be used for the acquisition, construction or improvement of major capital facilities.
>
> ***Classroom Facilities Fund*** The classroom facilities fund is used to account for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom 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.

Fiduciary Fund Type - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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 has no trust funds. The School District's 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 student activities, employee medical savings accounts and Ohio High School Athletics Association (OHSAA) tournaments.

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., expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets 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.

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions **-** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 Inflows of Resources and Deferred Outflows 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, for pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11).

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

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

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set 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. The Treasurer has been given the authority to allocate appropriations to the function and object level within each fund. The budgetary statement is presented beyond that legal level of control for information purposes only.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources by fund. 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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 basic financial statements.

During fiscal year 2018, investments were limited to a money market, government agency securities, certificates of deposit, US treasury bills, commercial paper and STAR Ohio.

Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

During the year 2018, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants.* The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $450,927, which includes $197,012 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories consist of donated food, purchased food, school supplies held for resale, and materials and supplies held for consumption.

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their 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 costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

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:

Description	Estimated Lives
Land Improvements	10 - 30 Years
Buildings and Improvements	75 Years
Furniture and Equipment	6 - 12 Years
Vehicles	3 -10 Years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer 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 payment method. An accrual for sick leave is made to the extent that 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.

On the governmental fund 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 funds from which the employee will be paid.

Pensions and Other Postemployment Benefits (OPEB)

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

Bond Premiums

Bond premiums are recorded as other financing sources on the governmental fund statements. The bond premiums are deferred and amortized over the term of the bond using the straight-line method on the government-wide statements since the results are not significantly different from the effective-interest or bonds outstanding methods. Bond premiums are presented as an increase of the face amount of the bonds payable.

Accrued Liabilities and Long-Term Obligations

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

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

Interfund Activity

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

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. 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, 2018, there was no net position restricted by enabling legislation.

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

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

The 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.

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.

Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended June 30, 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments.*

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

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

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

Net Position, June 30, 2017	$ (81,844,908)
Adjustments:	
Net OPEB Liability	(24,944,900)
Deferred Outflow-Payments Subsequent to Measurement Date	170,693
Restated Net Position, July 1, 2017	$ (106,619,115)

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

Note 3 – Fund Balance

Fund balance can be 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 governmental funds.

The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented as follows:

	General	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Nonspendable for:					
Inventory	$ 312,837	$ 0	$ 0	$ 0	$ 312,837
Prepaids	97,668	0	0	2,111	99,779
Unclaimed Monies	9,205	0	0	0	9,205
Total Nonspendable	419,710	0	0	2,111	421,821
Restricted for:					
Debt Service	0	0	0	5,617,888	5,617,888
Capital Projects	0	14,082,426	31,850,769	2,664,907	48,598,102
Classroom Facilities Maintenance	0	0	0	505,409	505,409
Other Purposes	0	0	0	498,883	498,883
Total Restricted	0	14,082,426	31,850,769	9,287,087	55,220,282
Committed for:					
Permanent Improvement	0	0	0	1,417,370	1,417,370
Assigned for:					
Encumbrances:					
Instruction	187,745	0	0	0	187,745
Support Services	742,873	0	0	0	742,873
Subsequent Year Appropriations	10,201,540	0	0	0	10,201,540
Total Assigned	11,132,158	0	0	0	11,132,158
Unassigned	5,203,630	0	0	(367,415)	4,836,215
Total Fund Balance	$ 16,755,498	$ 14,082,426	$ 31,850,769	$ 10,339,153	$ 73,027,846

* Fund balances at June 30, 2018 included the following individual fund deficits:

		Deficit
Non-Major Governmental Funds:		
Food Service	$	229,993
Title VI-B		106,964
Title I		30,478
Miscellaneous Federal Grants		40

Deficits in these non-major special revenue funds are due to adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

Note 4 - 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

3. Encumbrances are treated as expenditures (budget basis) rather than assigned or committed fund balance (GAAP basis).

4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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

GAAP Basis	$	7,171,305
Net Adjustment for Revenue Accruals		(3,686,066)
Net Adjustment for Expenditure Accruals		66,751
Funds Budgeted Elsewhere **		8,422
Adjustment for Encumbrances		(1,055,724)
Budget Basis	$	2,504,688

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

Note 5 - Deposits and Investments

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

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

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

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

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

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

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

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

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;

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

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

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

7. Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 40 percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Investments in Segregated Accounts – Investments in segregated accounts consists of investments in the school facilities fund for the Ohio Facilities Construction Commission project.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, $1,585,619 of the School District's total bank balance of $3,421,237 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the School District's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

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

Investments

As of June 30, 2018, the School District had the following investments:

			Maturity			
Rating	Investment Type	Measurement Amount	0 - 12 Months	13 - 36 Months	Over 36 Months	Percent of Total
	Net Asset Value (NAV):					
AAAm	STAR Ohio	$ 1,335,296	$ 1,335,296	$ 0	$ 0	1.94%
N/A	First American Treasury Money Market	127,070	127,070	0	0	0.18%
	Fair Value:					
	U.S. Government Agency Notes:					
AA+	Federal Home Loan Mortgage	183,062	183,062	0	0	0.27%
AA+	Federal National Mortgage Association	618,153	198,669	419,484	0	0.90%
AA+	Federal Home Loan Bank	534,022	0	534,022	0	0.78%
A-1+	U.S. Treasury Bills	27,648,539	27,648,539	0	0	40.23%
**	Negotiable Certificates of Deposit	5,662,371	3,197,418	2,199,898	265,055	8.24%
	Commercial Paper:					
A-1	BNP Paribas	995,010	995,010	0	0	1.45%
A-1	Coca Cola Company	1,611,643	1,611,643	0	0	2.35%
A-1	Credit Agricole NY	996,660	996,660	0	0	1.45%
A-1	GE Capital Corp	3,446,266	3,446,266	0	0	5.01%
A-1+	GE CP	2,231,424	2,231,424	0	0	3.25%
A-1	ING US CP	1,997,600	1,997,600	0	0	2.91%
A-1	JP Morgan	5,314,721	5,314,721	0	0	7.73%
A-1	MUFG Bank	4,261,480	4,261,480	0	0	6.20%
A-1	Natixis NY	3,903,846	3,903,846	0	0	5.68%
A-1+	TD USA	2,174,794	2,174,794	0	0	3.16%
A-1+	Toyota Motor Credit	5,682,172	5,682,172	0	0	8.27%
	Total	$68,724,129	$65,305,670	$ 3,153,404	$265,055	100.00%

** Fully insured under FDIC

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2018. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk The School District's investments at June 30, 2018 are rated by S&P Global Ratings.

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, 2018, is 49 days.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage total of each investment type held by the School District as of June 30, 2018.

Note 6 – 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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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.

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

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

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 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$ 1,176,534,570	98.48%	$ 1,100,234,610	98.13%
Public Utility Personal Property	18,126,470	1.52%	20,969,790	1.87%
Total Assessed Values	$ 1,194,661,040	100.00%	$ 1,121,204,400	100.00%
Tax rate per $1,000 of assessed valuation	$ 69.12		$ 68.82	

Note 7 - Receivables

Receivables at June 30, 2018 consisted of taxes, interfund and intergovernmental. 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 guarantee of federal funds. All current fiscal year receivables are expected to be collected within one year.

During 2007, the voters of Medina County passed a one-half percent sales tax to be used for capital improvements at all school districts within Medina County. Collection began in October 2007 for a period of 30 years. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. Sales tax is distributed to the school districts of Medina County based on what is essentially a per pupil distribution formula. A receivable is recognized at year end for an estimated amount to be received based on calendar year 2018 sales transactions yet to be received as of June 30, 2018.

Note 8 - Capital Assets

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

	Balance 07/01/2017	Additions	Reductions	Balance 06/30/2018
Governmental Activities				
Capital Assets, not being depreciated				
Land	$ 1,580,645	$ 914,000	$ 0	$ 2,494,645
Capital Assets, being depreciated				
Land Improvements	3,273,673	11,840	0	3,285,513
Buildings and Improvements	56,762,700	50,046	0	56,812,746
Furniture and Equipment	7,600,805	154,874	0	7,755,679
Vehicles	5,934,053	1,467,700	(61,852)	7,339,901
Total Capital Assets, being depreciated	73,571,231	1,684,460	(61,852)	75,193,839
Less: Accumulated Depreciation				
Land Improvements	(1,768,480)	(82,278)	0	(1,850,758)
Buildings and Improvements	(26,022,084)	(502,467)	0	(26,524,551)
Furniture and Equipment	(5,674,313)	(321,167)	0	(5,995,480)
Vehicles	(4,612,117)	(463,621)	61,852	(5,013,886)
Total Accumulated Depreciation	(38,076,994)	(1,369,533) *	61,852	(39,384,675)
Total Capital Assets being depreciated, net	35,494,237	314,927	0	35,809,164
Governmental Activities Capital Assets, Net	$ 37,074,882	$ 1,228,927	$ 0	$ 38,303,809

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 524,613
Special	112,895
Support Services:	
Pupils	47,523
Instructional Staff	58,654
Administration	65,214
Fiscal	12,862
Business	7,717
Operation and Maintenance of Plant	64,046
Pupil Transportation	415,483
Operation of Non-Instructional Services:	
Food Service Operations	59,625
Community Services	900
Total Depreciation Expense	$ 1,369,533

Note 9 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Settlements have not exceeded coverage in any of the last three fiscal years and there have been no significant reductions in insurance coverage from the prior year.

For fiscal year 2018, the School District participated in the Ohio Schools Council's (OSC) property, fleet, and liability, an insurance purchasing pool. The intent of the OSC property and fleet insurance program is to provide coverage that is essential for school districts while keeping premiums under control thru volume purchasing.

Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts are calculated as one and a common premium rate is applied to all school in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts than can meet the GRP's selection criteria. The firm of Comp Management provided administrative, cost control and actuarial services to the GRP. Hunter Consulting provided third-party administration and 1-800- Comp MCO services to the School District.

Employee Health Benefits

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 17) to provide employee medical/prescription drug and surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly premium which is placed in a common fund from which the claim payments are made for all participating districts. School District employees share the cost of the monthly premium with the Board.

Claims are paid for all participants regardless of claims flow. Upon group termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an exiting school district subsequent to the settlement of all expenses and claims.

Dental and prescription insurance is provided by the School District to all employees through Medical Mutual of Ohio and Express Scripts respectively.

Note 10 - Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the 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.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor 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.

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2018.

The School District's contractually required contribution to SERS was $1,360,614 for fiscal year 2018. Of this amount, $114,706 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 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, 2018, 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 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $4,787,433 for fiscal year 2018. Of this amount, $817,741 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 June 30, 2017, 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.31401760%	0.29021077%	
Prior Measurement Date	0.31675300%	0.29366939%	
Change in Proportionate Share	-0.00273540%	-0.00345862%	
Proportionate Share of the Net Pension Liability	$ 18,761,858	$ 68,940,190	$ 87,702,048
Pension Expense	$ (1,176,548)	$ (27,694,615)	$ (28,871,163)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 807,444	$ 2,662,147	$ 3,469,591
Changes of Assumptions	970,190	15,077,977	16,048,167
School District Contributions Subsequent to the Measurement Date	1,360,614	4,787,433	6,148,047
Total Deferred Outflows of Resources	$ 3,138,248	$ 22,527,557	$ 25,665,805

	SERS	STRS	Total
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 555,631	$ 555,631
Net Difference between Projected and Actual Earnings on Pension Plan Investments	89,062	2,275,108	2,364,170
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	690,770	2,946,929	3,637,699
Total Deferred Inflows of Resources	$ 779,832	$ 5,777,668	$ 6,557,500

$6,148,047 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 250,060	$ 2,027,329	$ 2,277,389
2020	938,556	5,122,262	6,060,818
2021	246,563	3,819,263	4,065,826
2022	(437,377)	993,602	556,225
	$ 997,802	$ 11,962,456	$ 12,960,258

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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, 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	2.50 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, 2017 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 most recent 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:

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	$ 26,036,583	$ 18,761,858	$ 12,667,792

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

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

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

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

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

*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes 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. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	$ 98,823,417	$ 68,940,190	$ 43,768,051

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

Note 11 - Defined Benefit OPEB Plans

Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $170,693.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $221,086 for fiscal year 2018. Of this amount $174,941 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.31940380%	0.29021077%	
Prior Measurement Date	0.32414687%	0.29366939%	
Change in Proportionate Share	-0.00474307%	-0.00345862%	
Proportionate Share of the Net OPEB Liability	$ 8,571,959	$ 11,322,953	$ 19,894,912
OPEB Expense	$ 425,053	$ (3,481,577)	$ (3,056,524)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 653,631	$ 653,631
School District Contributions Subsequent to the Measurement Date	221,086	0	221,086
Total Deferred Outflows of Resources	$ 221,086	$ 653,631	$ 874,717

	SERS	STRS	Total
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$ 22,637	$ 483,970	$ 506,607
Changes of Assumptions	813,434	912,102	1,725,536
Changes in Proportionate Share and Differences between School District Contributions and Proportionate Share of Contributions	85,715	158,544	244,259
Total Deferred Inflows of Resources	$ 921,786	$ 1,554,616	$ 2,476,402

$221,086 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (331,438)	$ (190,495)	$ (521,933)
2020	(331,438)	(190,495)	(521,933)
2021	(253,250)	(190,495)	(443,745)
2022	(5,660)	(190,497)	(196,157)
2023	0	(69,503)	(69,503)
Thereafter	0	(69,500)	(69,500)
	$ (921,786)	$ (900,985)	$ (1,822,771)

Actuarial Assumptions - SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.
Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented as follows:

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

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

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

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

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	$ 10,351,732	$ 8,571,959	$ 7,161,924

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 6,955,502	$ 8,571,959	$ 10,711,367

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 percent to 11.00 percent, initial, 4.50 percent ultimate

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

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

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

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

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

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

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

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

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	$ 15,200,883	$ 11,322,953	$ 8,258,122

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 7,866,703	$ 11,322,953	$ 15,871,784

Note 12 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Employees earn the equivalent of three days of personal leave per year. Classified employees may accumulate up to the equivalent of ten days of personal leave. Classified employees and twelve month administrators earn ten to twenty-five days of vacation per year, depending upon length of service. Administrators and exempt secretaries are able to carryover any unused vacation time at year-end subject to provisions in their respective employee handbooks, however, support staff (those employees in the bargaining unit) are unable to carryover unused vacation time. Accumulated but unused vacation time is paid to administrators, exempt and classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the statutory rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for one-fourth of the first 160 days of total sick leave accumulation, 100 percent of the next twenty-five days and one-fourth of any remaining days. An employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS.

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. The premium varies with employee depending on the terms of the union contract.

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Note 13 – Long-Term Obligations

Changes in the School District's long-term obligations during the fiscal year consist of the following:

	Restated Amount Outstanding 7/1/2017	Additions	Deductions	Amount Outstanding 06/30/2018	Due Within One Year
Governmental Activities					
General Obligation Bonds					
School Improvement - 2003	$ 73,468	$ 0	$ 73,468	$ 0	$ 0
School Improvement Refunding - 2005					
Serial and Term Bonds	4,160,000	0	320,000	3,840,000	335,000
Unamortized Premium	375,238	0	40,935	334,303	0
School Improvement Refunding - 2009					
Serial Bonds	4,060,000	0	0	4,060,000	590,000
Capital Appreciation Bonds	267,274	0	267,274	0	0
Accretion on Capital Appreciation Bond	291,722	26,004	317,726	0	0
Unamortized Premium	148,765	0	22,887	125,878	0
School Improvement Bonds Series 2018A					
Serial and Term Bonds	0	36,700,000	0	36,700,000	1,080,000
Unamortized Premium	0	3,503,195	0	3,503,195	0
School Improvement Bonds Series 2018B					
Serial and Term Bonds	0	9,825,000	0	9,825,000	60,000
Total General Obligation Bonds	9,376,467	50,054,199	1,042,290	58,388,376	2,065,000
Certificates of Participation					
Series 2010					
Taxable Qualified School					
Construction Bonds - (QSCB)	4,000,000	0	0	4,000,000	0
Refunding Series 2014	15,655,000	0	985,000	14,670,000	1,015,000
Total Certificates of Participation	19,655,000	0	985,000	18,670,000	1,015,000
Net Pension Liability	121,483,394	0	33,781,346	87,702,048	0
Net OPEB Liability	24,944,900	0	5,049,988	19,894,912	0
Compensated Absences	5,479,936	676,841	177,793	5,978,984	553,601
Total Governmental Activities	$180,939,697	$ 50,731,040	$ 41,036,417	$ 190,634,320	$3,633,601

General obligation bonds will be paid from property taxes in the bond retirement fund and the certificate of participation will be paid from sales taxes in the sales tax fund. Compensated absences will be paid from the general fund and the food service fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the general fund. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

The net bonded debt for the School District at June 30, 2018 was $52,770,488.

2003 School Improvement General Obligation Bonds

In fiscal year 2003, the School District issued $800,000 of general obligation bonds at an interest rate of 4.85 percent. The bonds matured December 1, 2017.

2005 School Improvement Advance Refunding General Obligation Bonds

On September 22, 2005, the School District issued $6,075,000 of general obligation bonds, which included serial and term bonds in the amount of $1,550,000 and $4,525,000, respectively. The bonds refunded $6,075,000 of outstanding 2000 School Improvement General Obligation Bonds. The bonds were issued for a twenty-one year period with final maturity at December 1, 2026. At the date of refunding, $6,726,930 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As a result, $6,075,000 of the 2000 School Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The defeased debt in the amount of $6,075,000 was called December 1, 2009.

These refunding bonds were issued with a premium of $859,636, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The refunding resulted in a difference between net carrying amount of the debt and the acquisition price of $651,930. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2018 was $40,935.

The School District refunded the 2000 General Obligation Bonds to reduce its total debt service payments over the next twenty-one years by $826,031.

The $6,075,000 bond issue consists of serial and term bonds. The serial bonds were issued with a varying interest rate of 4.00-5.50 percent.

The bonds maturing December 1, 2019 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption. The principal amount subject to mandatory redemption on December 1, 2018 is $335,000.

Unless previously redeemed, the remaining principal amount of $335,000 will mature at stated maturity (December 1, 2019).

The bonds maturing December 1, 2022 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date December 1	Principal Amount Subject to Mandatory Redemption
2020	$ 380,000
2021	400,000

Unless previously redeemed, the remaining principal amount of $425,000 will mature at stated maturity (December 1, 2022).

The bonds maturing December 1, 2026 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date December 1	Principal Amount Subject to Mandatory Redemption
2023	$ 445,000
2024	475,000
2025	500,000

Unless previously redeemed, the remaining principal amount of $525,000 will mature at stated maturity (December 1, 2026).

The bonds are not subject to optional redemption prior to maturity.

2009 School Improvement Advance Refunding General Obligation Bonds

On April 20, 2009, the School District issued $6,534,993 of general obligation bonds, which included serial, term and capital appreciation bonds in the amount of $5,765,000, $215,000 and $554,993, respectively. The bonds refunded $6,535,000 of outstanding 1999 School Improvement General Obligation Bonds. The bonds were issued for a fifteen year period with final maturity at December 1, 2023. At the date of refunding, $6,534,993 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As a result, $6,535,000 of the 1999 School Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The balance of the defeased debt at June 30, 2018 was $4,120,000.

These refunding bonds were issued with a premium of $343,305, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The issuance costs of $118,068 were expensed. The refunding resulted in a difference between net carrying amount of the debt and the acquisition price of $225,230. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2018 was $22,887.

The School District refunded the 1999 General Obligation Bonds to reduce its total debt service payments over the next twenty-one years by $420,299.

One of the capital appreciation bonds matured December 1, 2016 and the other matured December 1, 2017. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal liability. The maturity amount of the bond maturing on December 1, 2017 was $585,000.

The serial and capital appreciation bonds are not subject to early redemption.

2018 School Improvement Bonds

Series 2018A

In fiscal year 2018, the School District issued $36.7 million of general obligation school improvement bonds, series 2018A for an Ohio Facilities Construction Commission project. The bonds consist of serial and term bonds at interest rates varying from 3.0 - 5.25 percent with a final maturity of December 1, 2053.

These bonds were issued with a premium of $3.5 million, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method.

The Bonds stated to mature on December 1, 2048 (the 2048 Term Bonds) and December 1, 2053 (the 2053 Term Bonds, and, together with the 2048 Term Bonds, together, the Term Bonds), are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

The Bonds stated to mature on and after December 1, 2023 are subject to prior redemption, by and at the sole option of the School District, in whole or in part as selected by the School District (in whole multiples of $5,000), on any date on or after June 1, 2023, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

Series 2018B

In fiscal year 2018, the School District issued $9.8 million of general obligation school improvement bonds, series 2018B for an Ohio Facilities Construction Commission project. The bonds consist of serial and term bonds at interest rates varying from 2.0 - 4.25 percent with a final maturity of December 1, 2043.

These bonds were issued with a premium of $73,405, which has been reported as an expense.

The Bonds stated to mature on December 1, 2033 (the 2033 Term Bonds), December 1, 2037 (the 2037 Term Bonds) and December 1, 2041 (the 2041 Term Bonds, and, together with the 2033 Term Bonds and the 2037 Term Bonds, collectively, the Term Bonds), are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date,

The Bonds stated to mature on and after December 1, 2023 are subject to prior redemption, by and at the sole option of the School District, in whole or in part as selected by the School District (in whole multiples of $5,000), on any date on or after June 1, 2023, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

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

Fiscal Year Ending June 30,	General Obligation Bonds Principal	Interest
2019	$ 2,065,000	$ 2,585,545
2020	1,290,000	2,492,341
2021	1,410,000	2,435,226
2022	1,495,000	2,372,464
2023	1,590,000	2,305,589
2024 - 2028	5,610,000	10,588,418
2029 - 2033	4,345,000	9,487,122
2034 - 2038	5,865,000	8,234,124
2039 - 2043	7,235,000	6,805,185
2044 - 2048	9,070,000	5,020,219
2049 - 2053	11,725,000	2,316,957
2054	2,725,000	71,531
Total	$ 54,425,000	$54,714,721

2010 Certificates of Participation

On June 17, 2010 the School District issued $24,570,000 of certificates of participation, series 2010 bonds. They consisted of $4,000,000 in taxable qualified school construction series 2010A (QSCB) term bonds. The bonds were issued for a sixteen year period with final maturity at December 1, 2026. Also included in the issue was $15,460,000 of taxable build America bonds (BABS) series 2010B which is made up of $2,880,000 serial bonds and term bonds in the amount of $12,580,000. The series 2010B bonds were refunded on July 31, 2014. The final issue was tax exempt series 2010C serial bonds in the amount of $5,110,000 with a varying interest rate of 2.00-3.00 percent. The maturity dates for the tax exempt bonds is December 1, 2011 through 2016. The proceeds were used to acquire, construct, purchase equipment, install and renovate recreational, school and transportation facilities. The series 2010B was refunded in 2014.

The tax exempt series 2010C bonds were issued with a premium of $19,938, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The issuance costs of $586,116 were expensed.

The series 2010A bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date December 1	Principal Amount Subject to Mandatory Redemption
2023	$ 400,000
2024	1,190,000
2025	1,200,000

Unless previously redeemed, the remaining principal amount of $1,210,000 will mature at stated maturity (December 1, 2026).

2014 Current Refunding Certificates of Participation

On July 30, 2014, the School District issued $15,895,000 in refunded certificates of participation, series 2014 bonds. The proceeds were used to refund $15,460,000 of the School District's outstanding build America bonds (BABS) series 2010B. The bonds were issued for a 20 year period with final maturity at December 1, 2033.

These refunding bonds were issued with a premium of $133,382, which has been offset against expenses related to issuance costs. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of $1,274,219. The issuance resulted in an economic gain of $923,894.

Principal and interest requirements to retire the certificates of participation outstanding at June 30, 2018 are as follows:

Fiscal Year Ending	Certificate of Participation	
June 30,	Principal	Interest
2019	$ 1,015,000	$ 746,206
2020	1,045,000	715,306
2021	1,075,000	683,506
2022	1,105,000	650,806
2023	1,135,000	611,531
2024 - 2028	6,065,000	2,126,378
2029 - 2033	6,845,000	729,609
2034	385,000	7,700
Total	$ 18,670,000	$ 6,271,042

Note 14 – Bond Anticipation Notes

In December, 2017, the School District issued a bond anticipation note in the amount of $9.9 million at 2.5 percent, maturing May 31, 2018. The note was issued with a premium of $40,491. In February 2018, the School District issued a bond anticipation note of $25.8 million at 2.5 percent, maturing May 31, 2018. The note was issued with a premium of $81,802. These notes were issued in anticipation of bonds to be issued for the construction of a new middle school. These notes were paid from the building and classroom facilities capital project funds using proceeds from the issuance of long term bonds (see Notes 14 and 15).

	Outstanding 7/1/2017	Additions	Reductions	Outstanding 6/30/18
2018 Bond Anticipation Note 2.50% though 2018	$ 0	$ 25,805,000	$ 25,805,000	$ 0
2018 Bond Anticipation Note 2.50% though 2018	0	9,900,000	9,900,000	0
Total	$ 0	$ 35,705,000	$ 35,705,000	$ 0

Note 15 – Interfund Activity

Interfund Balances

Interfund balances at June 30, 2018, consist of the following:

	Interfund Receivable	Interfund Payable
General Fund	$ 552,619	$ 0
Nonmajor Governmental Funds:		
Food Service Fund	0	136,180
Auxiliary Services Fund	0	40,919
Title VI-B	0	303,155
Title III Fund	0	3,364
Title I	0	49,900
Preschool Grants	0	7,787
Improving Teacher Quality Fund	0	4,544
Miscellaneous Federal Grants Fund	0	6,770
Total	$ 552,619	$ 552,619

The interfund balances will be repaid once the anticipated revenues are received. These advances are expected to be repaid within one year. Interfund loans between governmental activities are eliminated on the statement of net position.

Interfund Transfers

During the fiscal year, the general fund transferred $76,336 to the bond retirement fund and $221,000 to the food service fund to provide additional resources for current operations. In addition, the debt service fund transferred $4,001,852 and $31,703,138 from the issuance of long term bond proceeds to the building fund and classroom facilities fund, respectively, in order to retire short term bond anticipation notes issued and repaid during the year (see Notes 13 and 14).

Note 16 – Jointly Governed Organizations

Medina County Career Center

The Medina County Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational needs of the students. The Board of Education is comprised of representatives appointed by the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Brunswick City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. During fiscal year 2018, $2,440 was paid by Brunswick City School District to the Career Center. To obtain financial information write to the Medina Career Center, Aaron Butts, who serves as Treasurer, at 1101 West Liberty, Medina, Ohio 44256.

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among ninety-one school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven 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. In fiscal year 2018, the School District paid $1,459 to the Council. Financial information can be obtained by contacting Dr. William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued $89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Northeast Ohio Network for Educational Technology (NEOnet)

The Northeast Ohio Network for Educational Technology (NEOnet) is a jointly governed organization among 38 school districts. The jointly governed 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 districts. Each of these schools supports NEOnet based upon a per pupil charge dependent upon the software package utilized. The NEOnet assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. NEOnet is governed by a Board of Directors chosen from the general membership of the NEOnet Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least three at-large Assembly members. During the fiscal year 2018 the School District paid $304,098 to NEOnet. Financial information can be obtained by contacting the Fiscal Officer at 700 Graham Road, Cuyahoga Falls, OH 44221.

Note 17 – Public Entity Risk Pools

Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and Immediate Past President of the OSBA. The Executive Direct of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Risk Sharing Pool

The Suburban Health Consortium is a shared health risk pool created pursuant to State statute for the purpose of administering health care benefits. The council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part at any time for their School District. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

Note 18 – Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

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

	Capital Improvements Reserve
Set Aside Restricted Balance July 1, 2017	$ 0
Current Year Set Aside Requirement	1,306,849
Current Year Offsets	(1,306,849)
Total	$ 0
Balance Carried Forward to Fiscal Year 2019	$ 0
Set Aside Restricted Balance June 30, 2018	$ 0

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

Note 19 – Contingencies and Commitments

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

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.

School Foundation

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

Encumbrance Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at 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:

`	Amount
General Fund	$ 930,618
Debt Service Fund	1,000
Building Fund	2,661,203
Classroom Facilities Fund	3,537,279
Nonmajor Governmental Funds	684,729
	$ 7,814,829

Contractual Commitments

The School District had outstanding contractual commitments for building improvements as follows:

	Contractual Commitment	Expended	Balance 06/30/2018
New Middle School	$ 4,470,253	$ 0	$ 4,470,253
Window and Roof Replacements	3,591,178	1,786,774	1,804,404
Total	$ 8,061,431	$ 1,786,774	$ 6,274,657

Expenditures for window and roof replacements will be expensed as repairs and maintenance and construction on the new middle school has not begun. Based on timing of when contracts are encumbered, the contractual commitment identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

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

	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)					
School District's Proportion of the Net Pension Liability	0.31401760%	0.31675300%	0.32517400%	0.34651000%	0.34651000%
School District's Proportionate Share of the Net Pension Liability	$ 18,761,858	$ 23,183,397	$ 18,554,744	$ 17,536,674	$ 20,605,838
School District's Covered Payroll	$ 10,440,607	$ 9,918,986	$ 10,701,533	$ 11,091,616	$ 10,069,725
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	179.70%	233.73%	173.38%	158.11%	204.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)					
School District's Proportion of the Net Pension Liability	0.29021077%	0.29366939%	0.30064004%	0.30921347%	0.30921347%
School District's Proportionate Share of the Net Pension Liability	$ 68,940,190	$ 98,299,997	$ 83,088,113	$ 75,211,417	$ 89,591,348
School District's Covered Payroll	$ 31,878,336	$ 31,647,557	$ 31,746,221	$ 31,363,315	$ 31,325,200
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.26%	310.61%	261.73%	239.81%	286.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

Brunswick City School District
Medina County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - Pension
Last Ten Fiscal Years

	2018	2017	2016	2015
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 1,360,614	$ 1,461,685	$ 1,388,658	$ 1,410,462
Contributions in Relation to the Contractually Required Contribution	(1,360,614)	(1,461,685)	(1,388,658)	(1,410,462)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 10,078,622	$ 10,440,607	$ 9,918,986	$ 10,701,533
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 4,787,433	$ 4,462,967	$ 4,430,658	$ 4,444,471
Contributions in Relation to the Contractually Required Contribution	(4,787,433)	(4,462,967)	(4,430,658)	(4,444,471)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 34,195,950	$ 31,878,336	$ 31,647,557	$ 31,746,221
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$ 1,537,298	$ 1,393,650	$ 1,418,785	$ 954,799	$ 1,498,162	$ 1,321,404
(1,537,298)	(1,393,650)	(1,418,785)	(954,799)	(1,498,162)	(1,321,404)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 11,091,616	$ 10,069,725	$ 10,548,587	$ 7,595,855	$ 11,064,712	$ 13,428,902
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
$ 4,077,231	$ 4,072,276	$ 4,345,350	$ 4,375,384	$ 4,102,013	$ 3,836,441
(4,077,231)	(4,072,276)	(4,345,350)	(4,375,384)	(4,102,013)	(3,836,441)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 31,363,315	$ 31,325,200	$ 33,425,769	$ 33,656,800	$ 31,553,946	$ 29,511,085
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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Brunswick City School District
Medina County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years (1)

	2018	2017
School Employees Retirement System (SERS)		
School District's Proportion of the Net OPEB Liability	0.31940380%	0.32414687%
School District's Proportionate Share of the Net OPEB Liability	$ 8,571,959	$ 9,239,385
School District's Covered Payroll	$ 10,440,607	$ 9,918,986
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.10%	93.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System (STRS)		
School District's Proportion of the Net OPEB Liability	0.29021077%	0.29366939%
School District's Proportionate Share of the Net OPEB Liability	$ 11,322,953	$ 15,705,515
School District's Covered Payroll	$ 31,878,336	$ 31,647,557
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.52%	49.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Brunswick City School District
Medina County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - OPEB
Last Ten Fiscal Years

	2018	2017	2016	2015
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 221,086	$ 170,693	$ 177,545	$ 221,496
Contributions in Relation to the Contractually Required Contribution	(221,086)	(170,693)	(177,545)	(221,496)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 10,078,622	$ 10,440,607	$ 9,918,986	$ 10,701,533
OPEB Contributions as a Percentage of Covered Payroll (1)	2.19%	1.63%	1.79%	2.07%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 34,195,950	$ 31,878,336	$ 31,647,557	$ 31,746,221
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$ 151,735	$ 163,200	$ 203,037	$ 231,956	$ 181,041	$ 503,012
(151,735)	(163,200)	(203,037)	(231,956)	(181,041)	(503,012)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 11,091,616	$ 10,069,725	$ 10,548,587	$ 7,595,855	$ 11,064,712	$ 13,428,902
1.37%	1.62%	1.92%	3.05%	1.64%	3.75%
$ 313,633	$ 313,252	$ 334,258	$ 336,568	$ 315,539	$ 295,111
(313,633)	(313,252)	(334,258)	(336,568)	(315,539)	(295,111)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 31,363,315	$ 31,325,200	$ 33,425,769	$ 33,656,800	$ 31,553,946	$ 29,511,085
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disable member was updated to the following:
    - 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.

Changes in Benefit Terms - SERS

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - STRS

Effective for fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

Note 2 - Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

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BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY

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

Federal Grantor/ ***Pass Through Grantor*** / Program Title	Federal CFDA Number	**Pass Through Entity Identifying Number**	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the Ohio Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	**N/A**	$119,922	$119,922
National School Lunch Program- Cash Assistance	10.555	**N/A**	601,998	601,998
National School Lunch Program- Non-Cash Assistance	10.555	**N/A**	118,537	118,537
Total Child Nutrition Cluster			840,457	840,457
TOTAL U.S. DEPARTMENT OF AGRICULTURE			**840,457**	**840,457**
U.S. DEPARTMENT OF EDUCATION				
Passed Through the Ohio Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	**N/A**	464,947	180,744
			1,283,477	1,586,631
Total Special Education - Grants to States			1,748,424	1,767,375
Special Education - Preschool Grants	84.173	**N/A**	5,248	4,154
			33,624	41,411
Total Special Education - Preschool Grants			38,872	45,565
Total Special Education Cluster			1,787,296	1,812,940
Title I Grants to Local Educational Agencies	84.010	**N/A**	99,209	1,805
			409,348	459,248
Total Title I Grants to Local Educational Agencies			508,557	461,053
Student Support and Academic Enrichment Program	84.424	**N/A**	804	9,449
Supporting Effective Instruction State Grants	84.367	**N/A**	16,329	8,082
			131,375	135,919
Total Supporting Effective Instruction State Grants			147,704	144,001
English Language Acquisition Grants	84.365		2,135	5,499
Passed Through the Educational Service Center of Cuyahoga County:				
English Language Acquisition Grants	84.365	**N/A**	9,399	1,901
Total English Language Acquisition Grants			11,534	7,400
TOTAL U.S. DEPARTMENT OF EDUCATION			**2,455,895**	**2,434,843**
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through the Ohio Department of Transportation				
Highway Planning and Construction Cluster	20.205	**PID 102784**	531,560	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			**531,560**	**-**
TOTAL			**$3,827,912**	**$3,275,300**

The accompanying notes are an integral part of this schedule.

BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of Brunswick City School District (the District) under programs of the federal government for the year ended June 30, 2018. 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 District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts and 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The 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 District commingles cash receipts from the U.S. Department of Agriculture with similar State grants and local receipts. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

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

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

Brunswick City School District
Medina County
3643 Center Road
Brunswick, Ohio 44212

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2019 wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*..

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

March 4, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Brunswick City School District
Medina County
3643 Center Road
Brunswick, Ohio 44212

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Brunswick City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Brunswick City School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on the Special Education Cluster

As described in finding 2018-001 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Activities Allowed or Unallowed and Allowable Costs/Costs Principles applicable to its Special Education Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on the Special Education Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Special Education Cluster* paragraph, the Brunswick City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster for the year ended June 30, 2018.

Other Matters

The District's response to our noncompliance finding is described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement 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. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings and questioned costs as item 2018-001.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State

Columbus, Ohio

March 4, 2019

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material 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 noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Program's Compliance Opinion**	Qualified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR §200.516(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster, CFDA 84.027 and 84.173
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2018-001		
CFDA Title and Number	Special Education Cluster, CFDA 84.027 and 84.173		
Federal Award Identification Number / Year	2018		
Federal Agency	U.S. Department of Education		
Compliance Requirement	Activities Allowed or Unallowed Allowable Costs/Cost Principles		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	**Finding Number? (if repeat)**	N/A

Questioned Costs/Material Weakness – Special Education Cluster

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. § 200.430** which states, in part, that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities. In addition, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; be incorporated into the official records of the non-Federal entity; and reasonably reflect the total activity for which the employee is compensated by the non-Federal entity.

The salaries for two administrators were charged to the grant fund without any time and effort documentation maintained to support the amount of time worked on the grant. Therefore, we consider the salaries and related benefits for these administrators in the amount of $195,545 to be a questioned cost.

The District should ensure all employees charging salaries and benefits to federal grants maintain the appropriate documentation supporting the time spent on the grant, in accordance with the District's policy. Appropriate supporting documentation could include semi-annual certifications for employees working solely on a single cost objective or timesheets when an employee works on multiple activities. Failure to maintain the appropriate time and effort documentation could lead to future questioned costs, reduced future federal funding, and the requirement to repay the Ohio Department of Education.

Officials' Response: See Corrective Action Plan

Board of Education
Brunswick City School District

3643 Center Road
Brunswick, Ohio 44212
Phone (330) 225-7731
Fax (330) 273-0507

www.bcsoh.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)

JUNE 30, 2018

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2017-001	**Finding for Recovery-Repaid Under Audit-Athletic Receipts Collected and Unaccounted For:** A finding for recovery was issued against the Assistant Athletic Director for $1,626 in receipts collected for a varsity football game but unaccounted for.	Yes	Finding no longer valid.

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Board of Education
Brunswick City School District

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CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The District will monitor and ensure that appropriate time and effort documentation is on file to support the amount of time an employee works on a grant. Compliance will be achieved by: 1. Mandating adequate time/effort documentation be filed on a timely basis with the CFO/Treasurer.	2-28-19	CFO
	2. Requiring the Director of Student Services to maintain time and effort documentation in accordance with District policies and applicable Federal laws. If needed, additional in-service will be provided	2-28-19	Director Student Services
	3. CFO/Treasurer periodically monitoring time/effort documentation in relationship to percentage of time spent on a cost objective(s).	1-1-19 and 6-30-19	CFO

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OHIO AUDITOR OF STATE
KEITH FABER

BRUNSWICK CITY SCHOOL DISTRICT

MEDINA 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 19, 2019

88 East Broad Street, Columbus, Ohio 43215
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