Canton City School District
Stark County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

Board of Education
Canton City School District
1312 5th Street SW
Canton, Ohio 44707

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

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

Keith Faber
Auditor of State
Columbus, Ohio

January 22, 2019

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Rea & associates a brighter way

December 15, 2018

To the Board of Education and Management
Canton City School District
Stark County, Ohio
1312 5th Street SW
Canton, Ohio 44707

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

CPAs and business consultants
www.reacpa.com

Opinions

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 Canton City School District, Stark County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, the cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 2, the School District restated the net position balance to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the School District's Proportionate Share of the Net Pension Liability, Schedule of the School District's Contributions - Pension, Schedule of the School District's Proportionate Share of the Net OPEB Liability* and *Schedule of the School District's Contributions - OPEB* on pages 5–14, 69, 70-71, 73, and 74-75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2018 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

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The discussion and analysis of the Canton 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 $66,606,971, which represents a 72 percent increase from 2017.
- Capital assets decreased $3,164,632 during fiscal year 2018.
- During the fiscal year, outstanding debt decreased from $26,272,269 to $23,293,636 due to principal payments made by the School District
- The School District implemented GASB 75, which reduced beginning net position as previously reported by $42,217,665.
- A decrease in net pension liability and net OPEB liability substantially decreased all instructional and support services expenses compared to fiscal year 2017. See further explanation after Table 1.

Using this Annual Report

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general and the debt service funds are by far 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 assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of major funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

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

Proprietary Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses internal service funds to account for workers' compensation and warehouse service programs. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 22.

Reporting the School District's Fiduciary Responsibilities

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

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	$ 82,755,490	$ 84,906,268
Restricted Assets	3,140,030	2,691,454
Capital Assets	111,256,215	114,420,847
Total Assets	197,151,735	202,018,569
Deferred Outflows of Resources		
Deferred Charges on Refunding	483,431	683,471
Pension & OPEB	49,841,723	38,152,979
Total Deferred Outflows of Resources	50,325,154	38,836,450
Liabilities		
Other Liabilities	17,640,456	17,160,912
Long-Term Liabilities		
Due Within One Year	3,714,122	4,044,193
Due in More Than One Year		
Pension & OPEB	190,452,834	251,635,815
Other Amounts	26,724,148	29,450,498
Total Liabilities	238,531,560	302,291,418
Deferred Inflows of Resources		
Property Taxes Levied for the Next Year	22,714,774	26,658,144
Pension & OPEB	12,736,000	5,017,873
Total Deferred Inflows of Resources	35,450,774	31,676,017
Net Position		
Net Investment in Capital Assets	89,142,491	89,238,655
Restricted	29,039,343	29,564,072
Unrestricted	(144,687,279)	(211,915,143)
Total Net Position	$ (26,505,445)	$ (93,112,416)

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

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 $50,894,751 to a deficit of $93,112,416.

At year end, capital assets represented 56 percent of total assets. Capital assets include land, construction in progress, buildings and improvements, land improvements, furniture, equipment and vehicles. The net investment in capital assets was $89,142,491 at June 30, 2018. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, $29,039,343 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of $144,687,279, which was caused by GASB's 68 and 75.

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.

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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 and Sales	$ 2,967,279	$ 2,205,357
Operating Grants, Contributions and Interest	32,942,553	32,825,122
Total Program Revenues	35,909,832	35,030,479
General Revenues:		
Property Taxes	29,126,991	29,146,559
Grants and Entitlements Not Restricted	90,492,402	87,446,378
Other	1,132,233	968,605
Total General Revenues	120,751,626	117,561,542
Total Revenues	156,661,458	152,592,021
Program Expenses		
Instruction:		
Regular	28,406,296	63,152,163
Special	9,299,671	21,262,365
Vocational	1,306,198	3,411,876
Adult/Continuing	545,477	1,833,849
Student Intervention Services	15,064	451,391
Other	2,639,605	1,929,326
Support Services:		
Pupils	3,951,548	9,090,349
Instructional Staff	3,452,447	4,372,498
Board of Education	29,615	24,526
Administration	6,230,163	11,547,414
Fiscal	1,920,463	2,550,014
Business	513,671	491,944
Operation and Maintenance of Plant	12,315,568	13,773,211
Pupil Transportation	5,834,269	5,615,245
Central	3,470,735	3,130,484
Operation of Non-Instructional Services:		
Food Service Operations	5,612,657	6,404,308
Community Services	1,701,051	2,204,441
Other	3,067	2,999
Extracurricular Activities	1,866,407	2,371,466
Debt Service:		
Interest and Fiscal Charges	940,515	1,045,933
Total Expenses	90,054,487	154,665,802
Increase (Decrease) in Net Position	$ 66,606,971	$ (2,073,781)

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 $331,704 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 $4,947,169. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	$ 90,054,487
Negative OPEB Expense under GASB 75	4,947,169
2018 Contractually Required Contribution	428,056
Adjusted 2018 Program Expenses	95,429,712
Total 2017 Program Expenses under GASB 45	154,665,802
Decrease in Program Expenses not Related to OPEB	$ (59,236,090)

See financial highlights for explanation of fluctuations in instructional and support services expenses.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2018	2017	2018	2017
Instruction:				
Regular	$ 28,406,296	$ 63,152,163	$ 26,077,542	$ 61,293,408
Special	9,299,671	21,262,365	(6,887,617)	4,897,478
Vocational	1,306,198	3,411,876	(69,966)	2,025,495
Adult/Continuing	545,477	1,833,849	(1,473,820)	66,081
Student Intervention Services	15,064	451,391	15,064	343,961
Other	2,639,605	1,929,326	2,291,013	1,798,445
Support Services:				
Pupils	3,951,548	9,090,349	2,768,071	7,832,292
Instructional Staff	3,452,447	4,372,498	1,049,508	2,464,527
Board of Education	29,615	24,526	29,615	24,526
Administration	6,230,163	11,547,414	5,242,175	10,645,152
Fiscal	1,920,463	2,550,014	1,453,391	1,978,805
Business	513,671	491,944	513,671	459,434
Operation and Maintenance of Plant	12,315,568	13,773,211	12,129,413	13,329,674
Pupil Transportation	5,834,269	5,615,245	4,987,161	5,185,273
Central	3,470,735	3,130,484	3,406,154	3,068,348
Operation of Non-Instructional Services:				
Food Service Operations	5,612,657	6,404,308	(657,561)	42,863
Community Services	1,701,051	2,204,441	1,038,808	1,063,976
Other	3,067	2,999	3,067	2,999
Extracurricular Activities	1,866,407	2,371,466	1,288,451	2,066,653
Debt Service:				
Interest and Fiscal Charges	940,515	1,045,933	940,515	1,045,933
Total Expenses	$ 90,054,487	$ 154,665,802	$ 54,144,655	$ 119,635,323

The dependence upon general revenues for governmental activities is apparent. Over 60 percent of governmental activities are supported through taxes and other general revenues; such revenues are 77 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 17. These funds are accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2018 was an increase of $1,885,175. This was primarily caused by an increase in state foundation.

The fund balance of the debt service fund increased $2,387,692 due to a transfer made in accordance with the OFCC project close out.

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 did amend 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 of $127,322,208 was higher than the final budget basis revenue by $3,643,467. This was primarily caused by an increase in intergovernmental revenue due to an increase in state foundation. There was no change from original budget revenue to final budget revenue.

Final expenditure appropriations of $129,747,928 were $1,647,029 higher than the actual expenditures of $128,100,899. Final budget was $963,000 higher than original budget as costs were underestimated for student support services at the beginning of the year.

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $111,256,215 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	$ 5,836,700	$ 5,916,100
Construction in Progress	514,844	78,650
Land Improvements	389,892	462,970
Buildings / Improvements	100,254,207	103,950,140
Furniture / Equipment	1,801,081	1,544,594
Vehicles	2,459,491	2,468,393
Totals	$ 111,256,215	$ 114,420,847

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

Debt

At June 30, 2018, the School District had $23,293,636 in debt outstanding. See Notes 9 and 10 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2018	2017
General Obligation Bonds	$ 16,565,000	$ 18,905,000
Energy Conservation Bonds	6,728,636	6,728,636
Lease Obligations	0	638,633
Total	$ 23,293,636	$ 26,272,269

Current Issues

The School District faces two issues moving forward. Declining enrollment continues to be a top priority. Students and families electing to choose educational opportunities at competing community schools or simply moving out of the district are the primary reasons for declining enrollment.

The other issue the School District faces is the continuing decline in assessed valuation of real property within district boundaries. Declining valuations result in less local property tax collections on existing levies and impacts millage rates of future levies placed on the ballot.

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 Jeff Gruber, Treasurer of Canton City School District, 1312 5th Street SW, Canton, Ohio 44707-4798.

Canton City School District
Stark County, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	$ 39,094,228
Receivables:	
Intergovernmental	8,855,847
Property Taxes	34,805,415
Restricted Assets:	
Cash and Investments with Escrow Agent	3,140,030
Nondepreciable Capital Assets	6,351,544
Depreciable Capital Assets (Net)	104,904,671
Total Assets	197,151,735
Deferred Outflows of Resources	
Deferred Charges on Debt Refunding	483,431
Pension	47,393,277
OPEB	2,448,446
Total Deferred Outflows of Resources	50,325,154
Liabilities	
Accounts Payable	2,332,968
Accrued Wages and Benefits	11,900,513
Contracts Payable	87,300
Intergovernmental Payable	2,613,140
Matured Compensated Absences Payable	218,722
Accrued Interest Payable	77,782
Claims Payable	410,031
Long Term Liabilities:	
Due Within One Year	3,714,122
Due In More Than One Year	
Net Pension Liability	155,120,925
Net OPEB Liability	35,331,909
Other Amounts Due In More Than One Year	26,724,148
Total Liabilities	238,531,560
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	22,714,774
Pension	8,777,023
OPEB	3,958,977
Total Deferred Inflows of Resources	35,450,774
Net Position	
Net Investment in Capital Assets	89,142,491
Restricted For:	
Capital Outlay	2,179,600
Debt Service	11,030,539
Classroom Facilities Maintenance	4,983,666
Food Service Operations	5,759,014
Other Purposes	5,086,524
Unrestricted	(144,687,279)
Total Net Position	$ (26,505,445)

See accompanying notes to the basic financial statements.

Canton City School District
Stark 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	$ 28,406,296	$ 452,131	$ 1,876,623	$ (26,077,542)
Special	9,299,671	274,768	15,912,520	6,887,617
Vocational	1,306,198	22,742	1,353,422	69,966
Adult/Continuing	545,477	1,207,614	811,683	1,473,820
Student Intervention Services	15,064	0	0	(15,064)
Other	2,639,605	0	348,592	(2,291,013)
Support Services:				
Pupils	3,951,548	58,013	1,125,464	(2,768,071)
Instructional Staff	3,452,447	0	2,402,939	(1,049,508)
Board of Education	29,615	0	0	(29,615)
Administration	6,230,163	0	987,988	(5,242,175)
Fiscal	1,920,463	0	467,072	(1,453,391)
Business	513,671	0	0	(513,671)
Operation and Maintenance of Plant	12,315,568	186,155	0	(12,129,413)
Pupil Transportation	5,834,269	52,416	794,692	(4,987,161)
Central	3,470,735	0	64,581	(3,406,154)
Operation of Non-Instructional Services:				
Food Service Operations	5,612,657	91,632	6,178,586	657,561
Community Services	1,701,051	61,900	600,343	(1,038,808)
Other	3,067	0	0	(3,067)
Extracurricular Activities	1,866,407	559,908	18,048	(1,288,451)
Debt Service:				
Interest and Fiscal Charges	940,515	0	0	(940,515)
Total	$ 90,054,487	$ 2,967,279	$ 32,942,553	(54,144,655)

General Revenues	
Property Taxes Levied for:	
General Purposes	25,386,325
Debt Service	2,700,237
Capital Outlay	616,040
Classroom Facilities Maintenance	424,389
Grants and Entitlements Not Restricted to Specific Programs	90,492,402
Gain on Sale of Capital Assets	452,845
Investment Earnings	94,690
Miscellaneous	584,698
Total General Revenues	120,751,626
Change in Net Position	66,606,971
Net Position Beginning of Year - Restated, See Note 2-T	(93,112,416)
Net Position End of Year	$ (26,505,445)

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	$ 17,203,464	$ 6,204,496	$ 15,345,307	$ 38,753,267
Restricted Cash and Investments with Escrow Agent	0	3,139,614	416	3,140,030
Receivables:				
Interfund	2,001,288	0	0	2,001,288
Intergovernmental	687,533	27,495	8,140,819	8,855,847
Property Taxes	30,127,366	3,421,313	1,256,736	34,805,415
Advances to Other Funds	0	537,563	893,247	1,430,810
Total Assets	$ 50,019,651	$ 13,330,481	$ 25,636,525	$ 88,986,657
Liabilities				
Accounts Payable	$ 1,469,472	$ 0	$ 782,259	$ 2,251,731
Accrued Wages and Benefits	10,334,329	0	1,566,184	11,900,513
Contracts Payable	0	0	87,300	87,300
Intergovernmental Payable	2,297,951	0	315,189	2,613,140
Matured Compensated Absences Payable	217,026	0	1,696	218,722
Interfund Payable	0	0	2,001,288	2,001,288
Advances from Other Funds	1,430,810	0	0	1,430,810
Total Liabilities	15,749,588	0	4,753,916	20,503,504
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	19,667,959	2,222,160	824,655	22,714,774
Unavailable Revenue	9,456,023	1,044,408	6,532,409	17,032,840
Total Deferred Inflows of Resources	29,123,982	3,266,568	7,357,064	39,747,614
Fund Balances				
Nonspendable	10,953	0	0	10,953
Restricted	0	10,063,913	15,614,916	25,678,829
Assigned	5,135,128	0	0	5,135,128
Unassigned	0	0	(2,089,371)	(2,089,371)
Total Fund Balances	5,146,081	10,063,913	13,525,545	28,735,539
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 50,019,651	$ 13,330,481	$ 25,636,525	$ 88,986,657

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balances		$ 28,735,539
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.		111,256,215
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	$ 6,801,955	
Property Taxes	10,230,885	17,032,840
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds.		
Deferred Outflows - Pension	47,393,277	
Deferred Outflows - OPEB	2,448,446	
Net Pension Liability	(155,120,925)	
Net OPEB Liability	(35,331,909)	
Deferred Inflows - Pension	(8,777,023)	
Deferred Inflows - OPEB	(3,958,977)	(153,347,111)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		(150,307)
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(77,782)
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.		483,431
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	(16,565,000)	
Energy Conservation Bonds	(6,728,636)	
Bond Premium	(852,898)	
Healthcare Termination Benefits	(1,562,185)	
Compensated Absences	(4,729,551)	(30,438,270)
Net Position of Governmental Activities		$ (26,505,445)

See accompanying notes to the basic financial statements.

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	$ 25,416,293	$ 2,697,072	$ 1,041,927	$ 29,155,292
Intergovernmental	101,052,621	867,528	21,681,270	123,601,419
Investment Income	48,997	0	115,543	164,540
Tuition and Fees	1,869,986	0	11,200	1,881,186
Extracurricular Activities	106,540	0	541,633	648,173
Rentals	214,058	0	0	214,058
Charges for Services	132,232	0	91,634	223,866
Contributions and Donations	47,747	0	49,369	97,116
Miscellaneous	526,455	0	58,771	585,226
Total Revenues	129,414,929	3,564,600	23,591,347	156,570,876
Expenditures				
Current:				
Instruction:				
Regular	57,311,355	0	1,858,680	59,170,035
Special	14,957,991	0	6,401,590	21,359,581
Vocational	3,099,680	0	15,485	3,115,165
Adult Education	1,246,839	0	486,887	1,733,726
Student Intervention Services	16,147	0	0	16,147
Other	2,305,380	0	371,783	2,677,163
Support Services:				
Pupils	7,939,171	0	915,559	8,854,730
Instructional Staff	2,769,919	0	2,061,698	4,831,617
Board of Education	29,615	0	0	29,615
Administration	12,126,746	0	980,414	13,107,160
Fiscal	947,755	69,666	953,682	1,971,103
Business	552,320	0	377	552,697
Operation and Maintenance of Plant	11,725,584	0	267,358	11,992,942
Pupil Transportation	5,679,662	0	568,906	6,248,568
Central	3,537,143	0	64,120	3,601,263
Extracurricular Activities	1,484,585	0	1,061,181	2,545,766
Operation of Non-Instructional Services:				
Food Service Operations	0	0	5,766,840	5,766,840
Community Services	1,012,040	0	784,773	1,796,813
Other	3,067	0	0	3,067
Capital Outlay	13,671	0	1,895,175	1,908,846
Debt Service:				
Principal Retirement	347,289	2,340,000	291,344	2,978,633
Interest and Fiscal Charges	6,078	1,032,296	0	1,038,374
Total Expenditures	127,112,037	3,441,962	24,745,852	155,299,851
Excess of Revenues Over (Under) Expenditures	2,302,892	122,638	(1,154,505)	1,271,025
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	507,344	0	24,901	532,245
Transfers In	18,962	2,265,054	2,020,845	4,304,861
Transfers Out	(944,023)	0	(3,360,838)	(4,304,861)
Total Other Financing Sources (Uses)	(417,717)	2,265,054	(1,315,092)	532,245
Net Change in Fund Balance	1,885,175	2,387,692	(2,469,597)	1,803,270
Fund Balances Beginning of Year	3,260,906	7,676,221	15,995,142	26,932,269
Fund Balances End of Year	$ 5,146,081	$ 10,063,913	$ 13,525,545	$ 28,735,539

See accompanying notes to the basic financial statements.

Canton City School District
Stark 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		$ 1,803,270
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	$ 2,265,104	
Current Year Depreciation	(5,350,336)	(3,085,232)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(79,400)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(28,302)	
Intergovernmental	(333,961)	(362,263)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bonds	2,340,000	
Capital Leases	638,633	2,978,633
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	11,029,677	
OPEB	428,056	11,457,733
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
Pension	48,748,696	
OPEB	4,947,169	53,695,865
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	8,024	
Amortization of Premium on Bonds	289,875	
Amortization of Refunding Loss	(200,040)	97,859
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		312,593
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	(394,942)	
Healthcare Termination Benefits	182,855	(212,087)
Change in Net Position of Governmental Activities		$ 66,606,971

See accompanying notes to the basic financial statements.

Canton City School District
Stark 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			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues				
Property and Other Local Taxes	$ 24,814,094	$ 24,814,094	$ 25,539,755	$ 725,661
Intergovernmental	97,534,460	97,534,460	100,386,749	2,852,289
Investment Income	187,157	187,157	192,630	5,473
Tuition and Fees	591,416	591,416	608,711	17,295
Rentals	180,866	180,866	186,155	5,289
Charges for Services	128,475	128,475	132,232	3,757
Contributions and Donations	12,453	12,453	12,817	364
Miscellaneous	229,820	229,820	263,159	33,339
Total Revenues	123,678,741	123,678,741	127,322,208	3,643,467
Expenditures				
Current:				
Instruction:				
Regular	59,374,697	59,326,251	57,679,865	1,646,386
Special	14,746,714	14,777,159	14,746,558	30,601
Vocational	4,213,293	4,213,293	3,787,465	425,828
Student Intervention Services	2,295	2,295	0	2,295
Other	2,492,259	2,492,259	2,886,225	(393,966)
Support Services:				
Pupils	7,485,116	7,475,116	7,772,362	(297,246)
Instructional Staff	2,757,077	2,771,114	3,042,103	(270,989)
Board of Education	34,298	34,298	29,472	4,826
Administration	11,142,856	11,810,341	12,018,385	(208,044)
Fiscal	1,090,035	1,070,035	1,008,629	61,406
Business	548,596	548,596	546,445	2,151
Operation and Maintenance of Plant	12,969,646	13,041,646	12,029,034	1,012,612
Pupil Transportation	5,206,525	5,206,080	5,541,816	(335,736)
Central	4,022,731	4,272,731	4,307,203	(34,472)
Extracurricular Activities	1,373,032	1,380,956	1,435,693	(54,737)
Operation of Non-Instructional Services:				
Community Services	958,216	958,216	897,606	60,610
Capital Outlay	14,175	14,175	18,671	(4,496)
Debt Service:				
Principal Retirement	347,289	347,289	347,289	0
Interest and Fiscal Charges	6,078	6,078	6,078	0
Total Expenditures	128,784,928	129,747,928	128,100,899	1,647,029
Excess of Revenues Over (Under) Expenditures	(5,106,187)	(6,069,187)	(778,691)	5,290,496
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	492,929	492,929	507,344	14,415
Refund of Prior Year Expenditures	332,462	332,462	342,185	9,723
Refund of Prior Year Receipts	(150,000)	(150,000)	0	150,000
Transfers In	18,422	18,422	18,962	540
Advances Out	(715,404)	(715,404)	(715,404)	0
Transfers Out	(1,370,705)	(1,370,705)	(1,589,819)	(219,114)
Total Other Financing Sources (Uses)	(1,392,296)	(1,392,296)	(1,436,732)	(44,436)
Net Change in Fund Balance	(6,498,483)	(7,461,483)	(2,215,423)	5,246,060
Fund Balance Beginning of Year	12,145,089	12,145,089	12,145,089	0
Prior Year Encumbrances Appropriated	4,306,137	4,306,137	4,306,137	0
Fund Balance End of Year	$ 9,952,743	$ 8,989,743	$ 14,235,803	$ 5,246,060

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Fund Net Position
Proprietary Funds
June 30, 2018

	Governmental Activities - Internal Service Funds
Assets	
Current Assets	
Equity in Pooled Cash and Investments	$ 340,961
Total Assets	340,961
Liabilities	
Current Liabilities	
Accounts Payable	81,237
Claims Payable	410,031
Total Liabilities	491,268
Net Position	
Unrestricted	$ (150,307)

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Governmental Activities - Internal Service Funds
Operating Revenues	
Charges for Services	$ 784,944
Other	64,767
Total Operating Revenues	849,711
Operating Expenses	
Salaries and Wages	21,910
Fringe Benefits	8,054
Purchased Services	667,044
Materials and Supplies	133,554
Claims	11,646
Change in Workers Compensation Estimate	(305,090)
Total Operating Expenses	537,118
Change in Net Position	312,593
Net Position Beginning of Year	(462,900)
Net Position End of Year	$ (150,307)

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Governmental Activities - Internal Service Funds
Cash Flows From Operating Activities	
Cash Received from Customers	$ 784,944
Other Cash Receipts	64,767
Cash Paid for Goods and Services	(821,754)
Cash Paid to Employees for Services and Benefits	(31,520)
Cash Paid for Claims	(11,646)
Net Used by Operating Activities	(15,209)
Net Decrease in Cash and Investments	(15,209)
Cash and Investments, Beginning of Year	356,170
Cash and Investments, End of Year	$ 340,961
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating Income	$ 312,593
Adjustments:	
Increase (Decrease) in Liabilities:	
Accounts Payable	(20,986)
Accrued Wages and Benefits	(1,035)
Intergovernmental Payable	(691)
Claims Payable	(305,090)
Total Adjustments	(327,802)
Net Cash Used by Operating Activities	$ (15,209)

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	$ 142,393	$ 225,108
Liabilities		
Accounts Payable	0	$ 15,952
Due to Students	0	209,156
Total Liabilities	0	$ 225,108
Net Position		
Held in Trust for Scholarships	$ 142,393	

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

		Private Purpose Trust
Additions		
Miscellaneous	$	19,331
Gifts and Contributions		5,212
Investment Earnings		2,250
Total Additions		26,793
Deductions		
Payments in Accordance with Trust Agreements		18,495
Change in Net Position		8,298
Net Position Beginning of Year		134,095
Net Position End of Year	$	142,393

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Canton City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected five-member Board of Education and is responsible for the provision of public education to residents of the School District. The Board oversees the operations of the School District's twenty-four instructional/support facilities.

Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, ***The Financial Reporting Entity*** as amended by GASB Statement No. 39, ***Determining Whether Certain Organizations Are Component Units*** and GASB Statement No. 61, ***The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.*** The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's Governing Board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; or (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

The following organizations are described due to their relationship to the School District:

JOINTLY GOVERNED ORGANIZATION
Canton Joint Recreation District - The School District appoints two of the five members of the Canton Joint Recreation District (the "CJRD"). The CJRD manages recreational activities within the City of Canton at facilities owned by either the City of Canton or the School District. The CJRD hires and fires its own staff and does not rely on the School District to finance deficits. The School District is not financially accountable for the CJRD nor is the CJRD financially dependent upon the School District. The CJRD serves as its own budgeting, taxing and debt issuance authority. Complete financial statements can be obtained from the Canton Joint Recreation District at 1101 Market Avenue, Canton, Ohio 44702.

PUBLIC ENTITY RISK POOL
The Stark County Schools Council of Government (the "COG") 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 as the Board of Directors. The assembly exercises control over the operation of the COG. All COG's revenues are generated from charges for services. The COG has a Health Benefits Program, which is a shared risk pool comprised of various entities, most of which are school districts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Fund Accounting

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

Governmental Funds Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

The following are the School District's major governmental funds:

> ***General fund*** The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Debt service fund*** The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the School District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The School District has no enterprise funds. The following is a description of the School District's internal service funds.

> ***Internal service funds*** - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost-reimbursement basis. The internal service funds of the School District are used to account for workers' compensation and warehouse service programs.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. 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 and School District agency services.

B. Basis of Presentation

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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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 **-** Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

C. 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 on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, 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 13 and 14.

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 delinquent property taxes, 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 13 and 14).

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15th and the filing by January 20th. The Budget Commission now requires an alternate tax budget be submitted by January 20th, which no longer requires specific Board approval.

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further 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 statements reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate of estimated resources in effect when the final appropriations were passed by the Board of Education.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, at the fund level, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

E. Cash and Investments

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

During fiscal year 2018, investments were limited to federal agency securities, corporate bonds, commercial paper, U.S. money market mutual funds and negotiable certificates of deposit.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $48,997, which includes 19,944 assigned from other School District funds. Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the School District's investment account at fiscal year-end is provided in Note 4.

F. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition cost at the date of donation. The School District maintains a capitalization threshold of $5,000 for its general capital assets.

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 asset 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	20 years
Buildings/Improvements	25 - 50 Years
Furniture/Equipment	5 - 20 Years
Vehicles	6 - 10 Years

G. Interfund Balances

Short-term interfund loans used to cover negative cash balances in funds are classified as "Interfund Receivables/Payables." These amounts are eliminated in the governmental column of the Statement of Net Position.

Long-term interfund loans (advances) are classified as "advances from other funds" and "advances to other funds." These amounts are eliminated in the governmental column of the Statement of Net Position.

H. Compensated Absences

Compensated absences of the School District consist of vacation and sick leave liabilities to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the School District and the employee.

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences,* a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2018 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and 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.

J. 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.

K. Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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 (the highest level of decision making authority). 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 nor 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 only used to report a deficit fund 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 restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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 its 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.

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

M. Parochial Schools

Within the School District boundaries are various parochial schools operated through the Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial school. The fiduciary responsibility of the School District for these monies is reflected in a special revenue fund (a non-major governmental fund) for financial reporting purposes.

N. Estimates

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

O. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. See Note 9 for further detail on restricted assets related to the energy conservation bond sinking fund deposits with escrow agent.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services and fees for workers' compensation and warehouse service programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenue.

Q. Interfund Activity

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

Interfund activity between governmental funds is eliminated in the statement of activities.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2018, the School District did not have extraordinary or special items.

S. Bond Premiums

Bond premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. On the governmental fund financial statements, bond premiums are recognized in the year of issuance.

T. 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	$	(50,894,751)
Adjustments:		
Net OPEB Liability		(42,549,369)
Deferred Outflow-Payments Subsequent to Measurement Date		331,704
Restated Net Position, July 1, 2017	$	(93,112,416)

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 DEFICITS

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

		Deficit
Non-major Special Revenue Funds:		
Public Preschool	$	55,083
Adult Basic Education		33,896
IDEA, Part B		364,843
Vocational Education		36,545
Title I, School Improvement Stimulus		303,705
Title III		3,419
Title I, Disadvantaged Children		1,090,127
IDEA Preschool		1,974
Improving Teacher Quality		65,275
Miscellaneous Federal Grants		134,504

The general fund is liable for any deficits in the non-major governmental funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. The deficits in the non-major governmental funds will be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

NOTE 4 - 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 School District has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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 may be deposited or invested in the following securities:

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

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

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

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

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

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

7. Certain banker's acceptance and commercial paper notes for a period not to exceed two hundred seventy days from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate note interests rated in either of the two highest 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 5 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.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2018, the School District and public depositories complied with the provisions of these statutes.

A. Cash and Investments with Escrow Agent

At fiscal year-end, $3,140,030 was invested with an escrow agent for required sinking fund deposits relating to the School District's energy conservation bonds. These funds are not included in "deposits with financial institutions" or "investments" below.

B. Investments

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

Investment Type	Measurement Amount	Investment Maturities in Months 0 - 12	13 - 36	Over 36	Percent of Total
NAV:					
U.S. Government Money Market	$ 147,401	$ 147,401	$ 0	$ 0	0.54%
Fair Value:					
Federal Farm Credit Bank (FFCB) Notes	1,819,693	249,878	1,264,630	305,185	6.68%
Federal National Mortgage Association (FNMA) Notes	3,428,996	347,746	2,602,860	478,390	12.60%
Federal Home Loan Bank (FHLB) Notes	2,591,689	414,736	1,689,433	487,520	9.51%
Federal Home Loan Mortgage (FHLM) Notes	3,368,490	149,910	1,208,656	2,009,924	12.37%
Negotiable Certificates of Deposit	7,965,343	3,241,994	3,489,302	1,234,047	29.24%
U.S Treasury Notes	483,145	0	483,145	0	1.77%
Commercial Paper	5,453,114	4,905,858	547,256	0	20.02%
Corporate Bonds	1,980,950	0	1,980,950	0	7.27%
Total Investments	$27,238,821	$ 9,457,523	$13,266,232	$ 4,515,066	100.00%

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

Credit Risk The federal agency securities, federal agency securities underlying the School District's repurchase agreement, U.S. Government money market mutual fund and the U.S. treasury notes were rated AA+ and Aaa by S&P Global Ratings and Moody's Investor Services, respectively. The corporate bonds are rated AAA by Moody's Investor Services and commercial paper is rated A-1 by S&P Global Ratings. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Concentration of Credit Risk The School District places no limit on the amount the School District may invest in any one issuer. The previous table includes the percentage to total of each investment type held by the School District at June 30, 2018.

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Transfers

During the fiscal year, the general fund transferred $340,000 to the debt service fund for the payment of debt and $600,000 and $4,023 to the athletic fund and the Advanced Placement fund, respectively, to provide additional resources for current operations. The School District closed out the OSFC fund during fiscal year 2018 by transferring $1,416,822, $1,925,054 and $18,962 to the permanent improvement, debt service and general funds. Interfund transfers between governmental funds are eliminated in the statement of activities.

B. Interfund Receivable/Payable

Interfund balances at June 30, 2018 consist of a $2,001,288 payable from the other governmental funds to the general fund. The primary purpose of the interfund balance is to cover costs in the fund where revenues were not received by June 30. This interfund balance 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.

C. Advances to/from Other Funds

Long-term advances outstanding at June 30, 2018 represents $537,563 and $893,247 owed to the debt service and classroom facilities maintenance funds, respectively, by the general fund.

The School District credited Half Mill-Equalization payments from the State of Ohio to the general fund in fiscal years 2009 – 2015 instead of the classroom facilities maintenance fund. Tangible Personal Property Tax Loss Reimbursement payments from the State of Ohio were also credited to the general fund in fiscal years 2006 – 2015. These errors were identified during the fiscal year 2015 audit. Amounts relating to fiscal year 2015 errors were adjusted in the fiscal year 2015 financial statements. The errors for 2006 – 2014 amounts are being repaid over a five year period beginning in fiscal year 2016.

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 Stark 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	$ 500,409,900	89%	$ 506,926,990	89%
Public Utility Personal Property	60,103,250	11%	65,096,360	11%
Total	$ 560,513,150	100%	$ 572,023,350	100%
Full Tax Rate per $1,000 of assessed valuation	$ 75.80		$ 75.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, interfund and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

NOTE 8 - CAPITAL ASSETS

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

	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018
Governmental Activities				
Capital Assets, not Being Depreciated				
Land	$ 5,916,100	$ 0	$ (79,400)	$ 5,836,700
Construction in Progress	78,650	514,844	(78,650)	514,844
	5,994,750	514,844	(158,050)	6,351,544
Capital Assets, Being Depreciated				
Land Improvements	1,657,156	0	0	1,657,156
Buildings/Improvements	184,044,177	832,184	0	184,876,361
Furniture/Equipment	2,355,072	513,377	0	2,868,449
Vehicles	6,963,442	483,349	0	7,446,791
Total Capital Assets, Being Depreciated	195,019,847	1,828,910	0	196,848,757
Less: Accumulated Depreciation				
Land Improvements	(1,194,186)	(73,078)	0	(1,267,264)
Buildings/Improvements	(80,094,037)	(4,528,117)	0	(84,622,154)
Furniture/Equipment	(810,478)	(256,890)	0	(1,067,368)
Vehicles	(4,495,049)	(492,251)	0	(4,987,300)
Total Accumulated Depreciation	(86,593,750)	(5,350,336) *	0	(91,944,086)
Total Capital Assets Being Depreciated, Net	108,426,097	(3,521,426)	0	104,904,671
Governmental Activities Capital Assets, Net	$ 114,420,847	$ (3,006,582)	$ (158,050)	$ 111,256,215

*Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	$	2,433,282
Special		826,553
Vocational		59,040
Adult/Continuing		142,009
Support Services:		
Pupil		110,472
Instructional Staff		223,929
Administration		182,770
Fiscal		
Business		4,320
Operation and Maintenance of Plant		306,416
Pupil Transportation		474,202
Central		43,093
Operation of Non-Instructional Services		
Food Service Operations		412,704
Community Services		4,676
Extracurricular Activities		126,870
Total Depreciation	$	5,350,336

NOTE 9 - LONG-TERM OBLIGATIONS

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

	Restated Outstanding 6/30/2017	Additions	Reductions	Outstanding 6/30/2018	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds					
Current Interest - 2013	$ 9,965,000	$ 0	$ (2,335,000)	$ 7,630,000	$ 2,440,000
Unamortized Bond Premium	823,971	0	(241,162)	582,809	0
Serial Refunding Bonds, Series 2015	8,940,000	0	(5,000)	8,935,000	5,000
Unamortized Bond Premium	318,802	0	(48,713)	270,089	0
Total General Obligation Bonds	20,047,773	0	(2,629,875)	17,417,898	2,445,000
Energy Conservation Bonds	6,728,636	0	0	6,728,636	0
Net Pension/OPEB Liability					
Pension	209,086,446	0	(53,965,521)	155,120,925	0
OPEB	42,549,369	0	(7,217,460)	35,331,909	0
Total Net Pension/OPEB Liability	251,635,815	0	(61,182,981)	190,452,834	0
Healthcare Reimbursement Arrangement Payable	1,745,040	0	(182,855)	1,562,185	322,998
Capital Leases Payable	638,633	0	(638,633)	0	0
Compensated Absences	4,334,609	1,258,730	(863,788)	4,729,551	946,124
Total Governmental Activities Long-Term Liabilities	$ 285,130,506	$ 1,258,730	$ (65,498,132)	$ 220,891,104	$ 3,714,122

Compensated absences will be paid from the fund from which the employee is paid which, for the School District, is primarily the general fund and the food service fund (a non-major governmental fund). The healthcare reimbursement arrangement payable will be paid from the general fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14. The general obligation and energy conservation bonds will be paid from the bond retirement fund. See Note 10 for detail on the School District's capital lease obligations.

Series 2013 General Obligation Refunding Bonds On May 8, 2013, the School District issued Series 2013 general obligation refunding bonds to advance refund $14,600,000 of Series 2005 current interest bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The principal balance outstanding of the defeased bonds was $7,780,000 at June 30, 2018.

The refunding issue is comprised of current interest bonds, par value $14,585,000. The average interest rate on the current interest bonds is 5.00 percent.

The reacquisition price exceeded the net carrying amount of the old debt by $1,517,000. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. This advance refunding was undertaken to reduce total debt service payments over the next 8 years by $687,000 and resulted in an economic gain of $643,000.

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated of the issue is December 1, 2020.

The following is a summary of the future debt service requirements to maturity for the Series 2013 general obligation refunding bonds:

	Series 2013 Current Interest Bonds		
Fiscal Year	Principal	Interest	Total
2019	$ 2,440,000	$ 277,552	$ 2,717,552
2020	2,540,000	169,736	2,709,736
2021	2,650,000	57,373	2,707,373
	$ 7,630,000	$ 504,661	$ 8,134,661

Series 2015 General Obligation Refunding Bonds On April 14, 2015 the School District issued Series 2015 general obligation refunding bonds in the amount of $8,950,000 to refund $9,005,000 of the Series 2005 current interest bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The refunded bonds were called on June 1, 2015.

The refunding issue is comprised of serial bonds, par value $8,950,000. The average interest rate on the current interest bonds is 5.00 percent.

These refunding bonds were issued with a premium of $426,647, which was recorded as revenue. 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 $1,484,599. The issuance resulted in an economic gain of $1,347,934.

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated of the issue is December 1, 2023.

The following is a summary of the future debt service requirements to maturity for the Series 2015 general obligation refunding bonds:

Fiscal Year	Principal	Interest	Total
2019	$ 5,000	$ 285,920	$ 290,920
2020	5,000	285,760	290,760
2021	5,000	285,520	290,520
2022	5,000	285,520	290,520
2023	8,915,000	862,560	9,777,560
	$ 8,935,000	$ 2,005,280	$ 10,940,280

Energy Conservation Bonds On December 14, 2010, the School District issued $6,728,636 in energy conservation bonds (federally taxable qualified school construction bonds). The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the School District's buildings. These bonds bear an annual interest rate of 5.43 percent, mature on December 1, 2025 and will be paid from the debt service fund. The School District is required to make mandatory sinking fund deposits (consisting of cash and/or U.S. Treasury obligations) on December 1, in the following years and in the following amounts (in each case equal to the value of any cash deposits, plus the stated principal value at maturity of any U.S. Treasury obligations plus any interest to be paid thereon through and including the maturity date):

December 1 of year	Amount Due	Amount Deposited
2011	$ 448,576	$ 448,576
2012	448,575	448,575
2013	448,575	448,575
2014	448,575	448,576
2015	448,575	448,576
2016	448,576	448,576
2017	448,576	448,576
2018	448,576	0
2019	448,576	0
2020	448,576	0
2021	448,576	0
2022	448,576	0
2023	448,576	0
2024	448,576	0
2025	448,576	0
	$ 6,728,636	$ 3,140,030

The amount deposited is reported as a restricted asset on the basic financial statements.

The School District receives a reimbursement from the United States Treasury equal to 100 percent of the lesser of the interest payments on the energy conservation bonds or the federal tax credits that would have otherwise been available to the holders of the energy conservation bonds. The School District records this reimbursement as federal intergovernmental revenue in the debt service fund.

The following is a summary of future debt service requirements to maturity for the energy conservation bonds:

December 1	Energy Conservation Bond		
of year	Principal	Interest	Total
2019	$ 0	$ 365,365	$ 365,365
2020	0	365,365	365,365
2021	0	365,365	365,365
2022	0	365,365	365,365
2023-2026	6,728,636	1,278,777	8,007,413
	$ 6,728,636	$ 2,740,237	$ 9,468,873

Retirement Incentive Program and Health Care Reimbursement Arrangement The School District has offered a retirement incentive plan (RIP) to certified teaching staff. Severance payments for teachers electing to retire under the RIP shall be paid in two equal installments with each installment paid on or about January 15 of the first and second calendar years following the retirement. A liability for severance payments due under the RIP has been recorded on the fund financial statements as a component of "compensated absences payable" and on the government-wide statement of net position as a component of "long-term liabilities."

In addition to severance payments, employees electing to retire under the RIP are entitled to a health care reimbursement arrangement (HRA) established by the School District for the benefit of the retiring teachers and their spouses. Under the HRA, retiring teachers will receive payments, by year, in varying amounts between $500 to $5,300 which will be deposited by the School District into a separate account established for the retired employee and their spouse. The HRA is effective until January 15, 2015 or until the retiree and his or her spouse become deceased. The amounts deposited to a retiree's account may be carried forward over to subsequent years and shall not be subject to forfeiture, except upon the death of both the retiree and his or her spouse. The remainder of the liability has been recorded on the government-wide statement of net position as a component of "long-term liabilities." The total estimated liability under the HRA at June 30, 2018 was $1,562,185 of which $322,998 is expected to become due within one year. A total of 197 employees have retired under the HRA as of June 30, 2018. The total HRA liability was calculated based upon required payments under the HRA for each applicable employee.

Legal Debt Margin The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9 percent of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2018 are a voted debt margin of $39,122,342 (including available funds of $10,063,913) and an unvoted debt margin of $506,927.

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capital lease agreements for the acquisition of a stadium scoreboard and various stadium improvements. A new lease was entered into with Huntington during fiscal year 2015 for 15 new buses. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. Both leases were paid off during fiscal year 2018.

Governmental activities capital assets consisting of stadium improvements and buses have been capitalized in the amount of $1,358,760. This amount represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was $643,995 as of June 30, 2018, leaving a current book value of $714,765. A corresponding liability is recorded on the statement of net position. Principal and interest payments in the 2018 fiscal year totaled $638,633 and $6,078, respectively.

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

A. Comprehensive

The School District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100 percent coinsured. The School District has obtained coverage from commercial insurance carriers. The following is a description of the School District's insurance coverage:

Coverage	Limits of Coverage	Deductible
General Liability:		
Each occurrence	$ 1,000,000	$ 0
Aggregate	2,000,000	0
Building and contents	443,640,836	10,000
Fleet:		
Liability	1,000,000	0
Uninsured motorist	1,000,000	0
Comprehensive	Actual Cash Value	250
Collision	Actual Cash Value	500
Umbrella liability	10,000,000	10,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from the prior year.

B. Shared Risk Pool

The School District is a participant in the Stark County Schools Council of Government (the "COG") for the purpose of obtaining benefits at a reduced premium for health care benefits. The School District's insurance program for health care, through the COG, is administered by Mutual Health Services Company. Payments are made to the COG for monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal agent of the COG is the Stark County Educational Service Center. The Treasurer of the Stark County Educational Service Center pays Mutual Health Services monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

C. Workers' Compensation Program

The School District has participated in the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Plan since 1989, except for 1993 and 1997. The alternative rating program requires the School District to pay only administrative charges to the Bureau, and in turn, the School District assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The School District will be charged an actuarial amount for the claims transferred to the Bureau. The School District's stop-loss coverage through the plan is limited to $300,000 per claim stop-loss coverage with an annual aggregate.

The School District's workers' compensation trust internal service fund pays for all claims, claim reserves and administrative costs of the program. The workers' compensation trust internal service fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period. The claims liability is recorded based on an actuarial determination of future claims, review of five years of claim liabilities and claim payment trends including the settlement to the Bureau after the tenth year. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Claims	Payments	Balance at End of Year
2017	$ 446,575	$ 250,716	$ (17,830)	$ 715,121
2018	$ 715,121	$ (293,444)	$ 11,646	$ 410,031

The Ohio Bureau of Workers' Compensation uses the Micro Insurance Reserving Analysis (MIRA) to estimate the reserves (liability) for future costs. The MIRA reserve (liability) can vary between years as it is based upon numerous factors which estimate the future cost of a particular claim at that point in time The previous table includes the change in estimate recorded at June 30, 2018..

NOTE 12 - COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Teachers and some administrators do not earn vacation time. Administrators, clerical, technical, and maintenance and operations employees with one or more years of service are entitled to vacation ranging from 5 to 30 days. Employees with less than one year of service earn one vacation day per month worked, not to exceed 10 days. Unused vacation is not cumulative to the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees) up to 15 days per year. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave for the first 120 days, one-fifth of sick leave for days between 121 - 285 and an additional 2 days for an employee with greater than 285 days accumulated.

NOTE 13 – 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 14 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 $2,601,498 for fiscal year 2018. Of this amount, $221,413 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 $8,428,179 for fiscal year 2018. Of this amount, $1,510,394 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	0.56745170%	0.51027508%	
Prior Measurement Date	0.52725930%	0.50935338%	
Change in Proportionate Share	0.04019240%	0.00092170%	
Proportionate Share of the Net Pension Liability	$ 33,903,986	$ 121,216,939	$ 155,120,925
Pension Expense	$ (733,584)	$ (48,015,112)	$ (48,748,696)

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	$ 1,459,111	$ 4,680,830	$ 6,139,941
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	0	0
Changes of Assumptions	1,753,200	26,511,477	28,264,677
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	1,755,511	203,471	1,958,982
School District Contributions Subsequent to the Measurement Date	2,601,498	8,428,179	11,029,677
Total Deferred Outflows of Resources	$ 7,569,320	$ 39,823,957	$ 47,393,277
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 976,961	$ 976,961
Net Difference between Projected and Actual Earnings on Pension Plan Investments	160,933	4,000,302	4,161,235
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	201,722	3,437,105	3,638,827
Total Deferred Inflows of Resources	$ 362,655	$ 8,414,368	$ 8,777,023

$11,029,677 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	$ 1,844,409	$ 4,244,720	$ 6,089,129
2020	2,564,286	9,686,506	12,250,792
2021	986,844	6,881,718	7,868,562
2022	(790,372)	2,168,466	1,378,094
	$ 4,605,167	$ 22,981,410	$ 27,586,577

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	$ 47,049,921	$ 33,903,986	$ 22,891,583

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	$ 173,760,357	$ 121,216,939	$ 76,956,985

Assumption Changes since the Prior Measurement Date

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

Benefit Term Changes since the Prior Measurement Date

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

NOTE 14 – 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 $331,704.

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 $428,056 for fiscal year 2018. Of this amount $339,904 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	0.57467840%	0.51027508%	
Prior Measurement Date	0.53708883%	0.50935338%	
Change in Proportionate Share	0.03758957%	0.00092170%	
Proportionate Share of the Net OPEB Liability	$ 15,422,858	$ 19,909,051	$ 35,331,909
OPEB Expense	$ 1,120,955	$ (6,068,124)	$ (4,947,169)

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	$ 1,149,273	$ 1,149,273
Changes in Proportionate Share and Differences between School District Contributions and Proportionate Share of Contributions	828,866	42,251	871,117
School District Contributions Subsequent to the Measurement Date	428,056	0	428,056
Total Deferred Outflows of Resources	$ 1,256,922	$ 1,191,524	$ 2,448,446
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$ 40,728	$ 850,959	$ 891,687
Changes of Assumptions	1,463,549	1,603,741	3,067,290
Changes in Proportionate Share and Differences between School District Contributions and Proportionate Share of Contributions	0	0	0
Total Deferred Inflows of Resources	$ 1,504,277	$ 2,454,700	$ 3,958,977

$428,056 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	$ (240,140)	$ (281,442)	$ (521,582)
2020	(240,140)	(281,442)	(521,582)
2021	(184,949)	(281,442)	(466,391)
2022	(10,182)	(281,441)	(291,623)
2023	0	(68,702)	(68,702)
Thereafter	0	(68,707)	(68,707)
	$ (675,411)	$ (1,263,176)	$ (1,938,587)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of 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	$ 18,625,065	$ 15,422,858	$ 12,885,893

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 12,514,494	$ 15,422,858	$ 19,272,129

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	$ 26,727,581	$ 19,909,051	$ 14,520,184

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 13,831,955	$ 19,909,051	$ 27,907,220

NOTE 15 - 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 Balances - Budget (Non GAAP Basis) and Actual - general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP 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 as restricted, committed or assigned fund balance (GAAP basis).

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund are as follows:

Net Change in Fund Balance

GAAP Basis	$ 1,885,175
Net Adjustment for Revenue Accruals	44,970
Net Adjustment for Expenditure Accruals	(224,772)
Funds Budgeted Elsewhere **	(525,812)
Adjustment for Encumbrances	(3,394,984)
Budget Basis	$ (2,215,423)

** 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 the special trust, rotary, adult education, recreation and public school support funds.

NOTE 16 - SET-ASIDES

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2017	$ 0
Current Year Set-aside Requirement	1,523,646
Current Year Offsets	(1,133,431)
Prior Year Offset from Bond Proceeds	(390,215)
Totals	$ 0
Balance Carried Forward to Fiscal Year 2019	$ 0
Set-aside Restricted Balance as of June 30, 2018	$ 0

During fiscal year 2001, the School District issued $46,705,413 in capital related school improvement bonds. During fiscal year 2011, the School District issued $6,728,636 in capital related energy conservation bonds. These proceeds may be used to reduce the capital improvements set-aside to zero for future years. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was $39,008,164 at June 30, 2018.

NOTE 17 - FISCAL CAUTION

The School District has been released from fiscal caution as of December 12, 2017.

NOTE 18 – CONTINGENCIES AND COMMITMENTS

A. Grants

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

B. Litigation

The School District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The School District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

C. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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.

D. Encumbrances

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:

Fund	Amount
General	$ 2,222,739
Nonmajor Governmental	1,484,440
	$ 3,707,179

NOTE 19 - FUND BALANCE

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

	General	Debt Service Fund	Other Governmental Funds	Total
Nonspendable for:				
Unclaimed Monies	$ 10,953	$ 0	$ 0	$ 10,953
Restricted for:				
Debt Service	0	10,063,913	0	10,063,913
Capital Outlay	0	0	3,363,743	3,363,743
Facilities Maintenance	0	0	4,983,666	4,983,666
Food Service Operations	0	0	5,846,810	5,846,810
Other Purposes	0	0	1,420,697	1,420,697
Total Restricted	0	10,063,913	15,614,916	25,678,829
Assigned for:				
Public School Support	201,886	0	0	201,886
Adult Education	1,081,407	0	0	1,081,407
Other Purposes	266,576	0	0	266,576
Encumbrances:				
Instruction	909,344	0	0	909,344
Support Services	1,178,137	0	0	1,178,137
Community Services	1,992	0	0	1,992
Extracurricular Activities	1,139	0	0	1,139
Capital Outlay	5,000	0	0	5,000
Subsequent Year Appropriations	1,489,647	0	0	1,489,647
Total Assigned	5,135,128	0	0	5,135,128
Unassigned	0	0	(2,089,371)	(2,089,371)
Total Fund Balance (Deficit)	$ 5,146,081	$ 10,063,913	$ 13,525,545	$ 28,735,539

Canton City School District
Stark 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	0.56745170%	0.52725930%	0.53716880%	0.53571000%	0.53571000%
School District's Proportionate Share of the Net Pension Liability	$ 33,903,986	$ 38,590,516	$ 30,651,372	$ 27,111,978	$ 31,856,954
School District's Covered Payroll	$ 18,238,557	$ 17,366,100	$ 18,086,442	$ 17,929,300	$ 14,267,919
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	185.89%	222.22%	169.47%	151.22%	223.28%
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	0.51027508%	0.50935338%	0.52570477%	0.53179434%	0.53179434%
School District's Proportionate Share of the Net Pension Liability	$ 121,216,939	$ 170,495,930	$ 145,289,422	$ 129,350,788	$ 154,081,812
School District's Covered Payroll	$ 56,425,443	$ 54,094,986	$ 55,545,800	$ 55,075,962	$ 54,048,638
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	214.83%	315.18%	261.57%	234.86%	285.08%
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.

Canton City School District
Stark 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	$ 2,601,498	$ 2,553,398	$ 2,431,254	$ 2,383,793
Contributions in Relation to the Contractually Required Contribution	(2,601,498)	(2,553,398)	(2,431,254)	(2,383,793)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 19,270,356	$ 18,238,557	$ 17,366,100	$ 18,086,442
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 8,428,179	$ 7,899,562	$ 7,573,298	$ 7,776,412
Contributions in Relation to the Contractually Required Contribution	(8,428,179)	(7,899,562)	(7,573,298)	(7,776,412)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 60,201,279	$ 56,425,443	$ 54,094,986	$ 55,545,800
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	
$	2,485,001	$	1,974,680	$	1,912,000	$	1,787,000	$	2,007,000	$	1,450,000
	(2,485,001)		(1,974,680)		(1,912,000)		(1,787,000)		(2,007,000)		(1,450,000)
$	0	$	0	$	0	$	0	$	0	$	0
$	17,929,300	$	14,267,919	$	14,215,613	$	14,216,388	$	14,822,747	$	14,735,772
	13.86%		13.84%		13.45%		12.57%		13.54%		9.84%
$	7,159,875	$	7,026,323	$	7,085,000	$	7,216,000	$	7,140,000	$	7,364,000
	(7,159,875)		(7,026,323)		(7,085,000)		(7,216,000)		(7,140,000)		(7,364,000)
$	0	$	0	$	0	$	0	$	0	$	0
$	55,075,962	$	54,048,638	$	54,500,000	$	55,507,692	$	54,923,077	$	56,646,154
	13.00%		13.00%		13.00%		13.00%		13.00%		13.00%

See accompanying notes to the required supplementary information.

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Canton City School District
Stark 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	0.57467840%	0.53708883%
School District's Proportionate Share of the Net OPEB Liability	$ 15,422,858	$ 15,309,018
School District's Covered Payroll	$ 18,238,557	$ 17,366,100
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.56%	88.15%
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	0.51027508%	0.50935338%
School District's Proportionate Share of the Net OPEB Liability	$ 19,909,051	$ 27,240,351
School District's Covered Payroll	$ 56,425,443	$ 54,094,986
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.28%	50.36%
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.

Canton City School District
Stark 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)	$ 428,056	$ 331,704	$ 283,651	$ 421,212
Contributions in Relation to the Contractually Required Contribution	(428,056)	(331,704)	(283,651)	(421,212)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 19,270,356	$ 18,238,557	$ 17,366,100	$ 18,086,442
OPEB Contributions as a Percentage of Covered Payroll (1)	2.22%	1.82%	1.63%	2.33%
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	$ 60,201,279	$ 56,425,443	$ 54,094,986	$ 55,545,800
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
$ 274,728	$ 238,000	$ 295,000	$ 458,800	$ 327,800	$ 865,800
(274,728)	(238,000)	(295,000)	(458,800)	(327,800)	(865,800)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 17,929,300	$ 14,267,919	$ 14,215,613	$ 14,216,388	$ 14,822,747	$ 14,735,772
1.53%	1.67%	2.08%	3.23%	2.21%	5.88%
$ 550,760	$ 540,486	$ 545,000	$ 555,077	$ 549,231	$ 566,462
(550,760)	(540,486)	(545,000)	(555,077)	(549,231)	(566,462)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 55,075,962	$ 54,048,638	$ 54,500,000	$ 55,507,692	$ 54,923,077	$ 56,646,154
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

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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December 15, 2018

To the Board of Education and Management
Canton City School District
Stark County, Ohio
1312 5th Street SW
Canton, OH 44707

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canton City School District, Stark County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 15, 2018, in which we noted the School District restated net position balance to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.
Medina, Ohio

December 15, 2018

To the Board of Education and Management
Canton City School District
Stark County, Ohio
1312 5th Street SW
Canton, OH 44707

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

Report on Compliance for Each Major Federal Program

We have audited the Canton City School District's, Stark County, Ohio (the School District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management’s Responsibility

Management is responsible for compliance with federal statues, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Rea & Associates, Inc.
Medina, Ohio

Canton City School District
Stark County, Ohio

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/ Sub Grantor/ Program Title	Federal CFDA Number	Grant Year	Expenditures	Amounts Paid to Subrecipients
U.S. Department of Education				
(Direct)				
Impact Aid	84.041	2018	$ 48,562	$ 0
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	2018	530,177	0
Federal Direct Student Loans	84.268	2018	666,934	0
Total Student Financial Assistance Cluster			1,197,111	0
(Passed through the Ohio Department of Education)				
ABLE Instructional Adult Education - Basic Grants to States	84.002	2017	41,779	0
ABLE Instructional Adult Education - Basic Grants to States	84.002	2018	599,104	0
EL/Civics Adult Education - Basic Grants to States	84.002	2017	268	0
EL/Civics Adult Education - Basic Grants to States	84.002	2018	22,189	0
Total Adult Education - Basic Grants to States			663,340	0
Title I Grants to Local Educational Agencies	84.010	2017	1,331,708	0
Title I Grants to Local Educational Agencies	84.010	2018	5,223,232	0
Title I School Improvement	84.010	2017	219,991	0
Title I School Improvement	84.010	2018	124,021	0
Title I-D	84.010	2018	276,531	0
Total Title I Grants to Local Educational Agencies			7,175,483	0
Special Education Cluster:				
Special Education Grants to States	84.027	2017	588,611	0
Special Education Grants to States	84.027	2018	1,778,206	0
Parent Mentor Grant	84.027	2017	779	0
Parent Mentor Grant	84.027	2018	20,114	0
Early Literacy SSIP	84.027	2017	10,718	0
Early Literacy SSIP	84.027	2018	85,137	0
Total Special Education Grants to States			2,483,565	0
Special Education Preschool Grants	84.173	2017	14,621	0
Special Education Preschool Grants	84.173	2018	16,847	0
Early Literacy SSIP	84.173	2017	171	0
Early Literacy SSIP	84.173	2018	3,675	0
Total Special Education Preschool Grants			35,314	0
Total Special Education Cluster			2,518,879	0
Career and Technical Education - Basic Grants to States	84.048	2017	52,576	0
Career and Technical Education - Basic Grants to States	84.048	2018	305,202	0
Total Career and Technical Education - Basic Grants to States			$ 357,778	$ 0

CONTINUED

Canton City School District
Stark County, Ohio

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/ Sub Grantor/ Program Title	Federal CFDA Number	Grant Year	Expenditures	Amounts Paid to Subrecipients
Education for Homeless Children and Youth	84.196	2017	19,853	0
Education for Homeless Children and Youth	84.196	2018	91,507	0
Total Education for Homeless Children and Youth			111,360	0
Twenty-First Century Community Learning Centers	84.287	2017	15,926	0
Twenty-First Century Community Learning Centers	84.287	2018	876,007	0
Total Twenty-First Century Community Learning Centers			891,933	0
Title II-A Supporting Effective Instruction	84.367	2017	130,677	0
Title II-A Supporting Effective Instruction	84.367	2018	470,015	0
Total Title II-A Supporting Effective Instruction			600,692	0
(Passed through the National Council for Community and Education Partnership)				
English Language Acquisition State Grants	84.365	2017	7,687	0
English Language Acquisition State Grants	84.365	2018	33,696	0
Total English Language Acquisition State Grants			41,383	0
Title IV-A Student Support and Academic Enrichment	84.424A	2018	23,649	0
Total U.S. Department of Education			13,630,170	0
U.S. Department of Agriculture				
(Passed through the Ohio Department of Education)				
Team Nutrition - Healthy Cuisine for Child Care Workshop	10.574	2017	137	0
Team Nutrition - Healthy Cuisine for Child Care Workshop	10.574	2018	45,885	0
Total Team Nutrition - Healthy Cuisine for Child Care Workshop			46,022	0
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution)				
School Breakfast Program	10.553	2018	104,813	0
National School Lunch Program	10.555	2018	243,657	
Cash Assistance				
School Breakfast Program	10.553	2018	1,853,134	0
National School Lunch Program	10.555	2018	4,307,944	0
Total Child Nutrition Cluster			6,509,548	0
Total U.S. Department of Agriculture			6,555,570	0
Total			$ 20,185,740	$ 0

The accompanying notes are an integral part of this schedule.

Canton City School District
Stark County, Ohio

Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Canton City School District (the School 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

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Canton City School District
Stark County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 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 control weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None reported
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material control weaknesses in internal control reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	None reported
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d) (1) (vii)	Major Programs (list): Child Nutrition Cluster Twenty-First Century Community Learning Centers	CFDA # 10.553/10.555 84.287
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > $750,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

CANTON CITY SCHOOL DISTRICT
OFFICE OF THE TREASURER
1312 – 5th Street, SW • Canton, Ohio 44707
Phone (330) 438-2509 • Fax (330) 580-3025

Canton City School District
Stark County, Ohio
Schedule of Prior Audit Findings
2 CFR 200.511(b)
June 30, 2018

Finding Number	**Finding Summary**	**Status**	**Additional Information**
2017-001	Significant Deficiency/Noncompliance – Cash Management	Corrected	

OHIO AUDITOR OF STATE
KEITH FABER

CANTON CITY SCHOOL DISTRICT

STARK 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
FEBRUARY 5, 2019