



Dave Yost • Auditor of State

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY
JUNE 30, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Ashland City School District
Ashland County
1407 Claremont Avenue
Ashland, Ohio 44805

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ashland City School District, Ashland 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

March 5, 2019

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**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)*

The discussion and analysis of the Ashland 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:

- In total, net position of governmental activities increased \$18,206,531 from fiscal year 2017.
- General revenues accounted for \$33,420,638 in revenue or 84.82 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$5,982,908 or 15.18 percent of total revenues of 39,403,546.
- The School District had \$21,197,015 in expenses related to governmental activities; only \$5,982,908 of these expenses was offset by program specific charges for services, and grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$33,420,638 were adequate to provide for these programs.
- The School District's only major governmental fund is the General Fund. The General Fund had \$34,007,014 in revenues and other financing sources and \$33,668,750 in expenditures and other financing uses. During fiscal year 2018, the General Fund's fund balance increased \$338,264 from a balance of \$15,558,793 to \$15,897,057.
- Capital assets increased \$913,472 during fiscal year 2018 due to the current year purchases of new capital assets and commencement of capital projects.
- During the fiscal year, outstanding debt decreased from \$28,496,070 to \$27,861,295 due to principal payments made by the School District.

Using this Annual Report

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

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

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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 look 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 non-fiduciary assets and liabilities 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 major funds financial statements begin on page 19. 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 fund is the general 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 an internal service fund to account for its health insurance benefits.

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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 24.

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 the agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 27 and 28. 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.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29 through 70 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 71 through 80 of this report.

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(Unaudited)*

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	2017*
ASSETS		
Current and other assets	\$ 39,755,799	\$ 39,398,818
Capital assets, net	51,970,925	51,057,453
Total Assets	91,726,724	90,456,271
DEFERRED OUTFLOWS OF RESOURCES		
Deferral on Refunding	21,820	26,185
Pension	12,308,199	9,355,475
OPEB	539,065	69,385
Total Deferred Outflows of Resources	12,869,084	9,451,045
LIABILITIES		
Current and other liabilities	4,198,447	4,773,344
Long-term liabilities:		
Due within one year	948,705	1,227,922
Due in more than one year:		
Net Pension Liability	38,694,472	52,252,582
OPEB	8,182,099	10,150,314
Other Amounts	29,103,672	29,501,192
Total Liabilities	81,127,395	97,905,354
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	11,439,077	9,967,934
Pension	2,613,313	1,759,573
OPEB	935,037	-
Total Deferred Inflows of Resources	14,987,427	11,727,507
NET POSITION		
Net Investment in Capital Assets	24,411,450	23,907,733
Restricted	6,211,717	5,253,580
Unrestricted	(22,142,181)	(38,886,858)
Total Net Position	\$ 8,480,986	\$ (9,725,545)

* Restated

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

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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 as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability.

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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 \$355,384 to a deficit of \$9,725,545. See Note 3 for further information regarding the restatement of net position.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the School District's assets and deferred outflows exceeded liabilities and deferred inflows by \$8,480,986.

At year-end, capital assets represented 56.66 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The School District's net investment in capital assets at June 30, 2018, was \$24,411,450. These capital assets are used to provide services to the 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 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, \$6,211,717 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$22,142,181.

The recording of GASB Statement No. 68 and 75 requires the readers to perform additional calculations to determine the School District's total Net Position at June 30, 2018 without the recording of GASB Statement No. 68 and 75. This is an important exercise, as the State Pension Systems (SERS & STRS) collect, hold, invest, and distribute pensions to our employee, not the School District. These calculations are as follows:

Total Net Position including GASB 68 and GASB 75	\$ 8,480,986
Add:	
Net Pension Liability	38,694,472
Net OPEB Liability	8,182,099
Deferred Inflows - Pension	2,613,313
Deferred Inflows - OPEB	935,037
Less:	
Deferred Outflows - Pension	12,308,199
Deferred Outflows - OPEB	539,065
Total Net Position without GASB 68 and GASB 75	<u>46,058,643</u>

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*MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Unaudited)*

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	\$ 2,247,672	\$ 1,970,773
Operating grants and contributions	3,735,236	4,145,839
Capital grants and contributions	-	17,820
Total Program Revenues	5,982,908	6,134,432
General Revenues:		
Property taxes	17,394,950	19,404,740
Payments in lieu of taxes	33,522	44,104
Grants and entitlements, not restricted to specific programs	15,661,135	15,843,374
Gifts and Donations, not restricted to specific programs	41,280	-
Investment income	156,292	94,986
Miscellaneous	133,459	59,463
Total General Revenues	33,420,638	35,446,667
Total Revenues	39,403,546	41,581,099
EXPENSES		
Program Expenses:		
Instruction:		
Regular	5,194,183	15,853,711
Special	2,208,522	5,196,243
Vocational	83,889	452,885
Other	1,043,406	980,640
Supporting Services:		
Pupils	1,522,559	1,922,947
Instructional Staff	1,313,288	1,636,935
Board of Education	114,774	115,740
Administration	1,224,950	2,420,915
Fiscal Services	845,426	906,394
Business	460,823	428,215
Operation and Maintenance of Plant	2,115,703	2,324,477
Pupil Transportation	1,431,850	1,328,432
Central	307,406	488,171
Operation of Non-Instructional Services:		
Food Service Operations	1,325,227	1,445,318
Community Services	214,451	240,149
Enterprise Operations	1,437	-
Other Operations	301	-
Extracurricular Activities	701,142	1,342,671
Interest and Fiscal Charges	1,087,678	1,106,619
Total Expenses	21,197,015	38,190,462
Change in Net Position	18,206,531	3,390,637
Net Position - Beginning of Year, Restated	(9,725,545)	N/A
Net Position - End of Year	\$ 8,480,986	\$ (9,725,545)

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*MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)*

Net position of the School District's governmental activities increased \$18,206,531. Total governmental expenses of \$21,197,015 were offset by program revenues of \$5,982,908 and general revenues of \$33,420,638.

Program revenues supported 28.23 percent of the total governmental activities expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State of Ohio. These revenue sources represent 83.89 percent of total governmental revenue.

Total revenues decreased by \$2,177,553 or 5.24 percent in fiscal year 2018, mostly due to the decrease in property tax revenue from 2017.

Total expenses decreased by \$16,993,447 mainly due to the recording of GASB 68 and 75. The effects of GASB 68 and 75 distort the comparative analysis of expenses due to the significant changes made by the pension systems in recording the aforementioned GASBs. As a result of the significant adjustments to program expenses for GASB 68 and GASB 75, the following adjustments are needed:

Total 2018 program expenses under GASB 68 and GASB 75	\$ 21,197,015
Negative NPL expense under GASB 68	13,059,812
2018 contractually required contribution - Pension	2,597,282
Negative OPEB expense under GASB 75	1,425,508
2018 contractually required contribution - OPEB	77,350
Adjusted 2018 program expenses	38,356,967
Total 2017 program expenses under GASB 68	38,190,462
NPL expense under GASB 68	(3,422,974)
2017 contractually required contribution - Pension	2,601,738
Adjusted program expenses	37,369,226
Increase in program expenses	\$ 987,741

See page 13 for analysis of the School Districts fund financial statements that do not include the pension Expenses in relation to GASB Statement No. 68 and 75. See Notes 11 and 12 for more information regarding Net Pension and OPEB liability and the related pension expense.

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

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*MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Unaudited)*

**Table 3
Governmental Activities**

	Total and Net Cost of Program Services			
	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2018	2017	2018	2017
Instruction:				
Regular	\$ 5,194,183	\$ 15,853,711	\$ 3,842,698	\$ 14,642,020
Special	2,208,522	5,196,243	(199,036)	2,865,071
Vocational	83,889	452,885	(2,942)	374,782
Other	1,043,406	980,640	1,042,013	980,640
Supporting Services:	-	-		
Pupils	1,522,559	1,922,947	1,272,603	1,770,454
Instructional Staff	1,313,288	1,636,935	1,199,438	1,384,840
Board of Education	114,774	115,740	114,774	115,740
Administration	1,224,950	2,420,915	1,142,434	2,198,743
Fiscal Services	845,426	906,394	845,426	906,394
Business	460,823	428,215	460,823	425,611
Operation and Maintenance of Plant	2,115,703	2,324,477	2,098,021	2,289,195
Pupil Transportation	1,431,850	1,328,432	1,425,419	1,270,551
Central	307,406	488,171	298,406	479,171
Operation of Non-Instructional Services:	-	-		
Food Service Operations	1,325,227	1,445,318	290,935	235,118
Community Services	214,451	240,149	(8,509)	(10,301)
Enterprise Operations	1,437	-	1,437	-
Other Operations	301	-	(49)	-
Extracurricular Activities	701,142	1,342,671	302,538	1,021,382
Interest and Fiscal Charges	1,087,678	1,106,619	1,087,678	1,106,619
Total Cost of Services	<u>\$ 21,197,015</u>	<u>\$ 38,190,462</u>	<u>\$ 15,214,107</u>	<u>\$ 32,056,030</u>

The dependence upon general revenues for governmental activities is apparent. Approximately 72 percent of governmental activities are supported through taxes and other general revenues; such revenues are 83.89 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 19. 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 \$338,264. Most of this increase was caused by the revenues consistently outpacing expenditures.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)*

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue was \$870,499 lower than the final budget basis amounts of \$35,541,124. This was primarily caused by an underestimation of property tax and intergovernmental revenue.

Final appropriations of \$37,839,784 were \$935,057 higher than the actual expenditures \$36,904,727 mainly due to an overestimation of regular instruction and support services expenditures. Original appropriations were increased by \$3,539,115 to final appropriations to better align with actual spending during fiscal year 2018.

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 \$51,970,925 invested in capital assets. Table 4 shows fiscal year 2018 balances compared with 2017.

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

	Governmental Activities	
	2018	2017
Land	\$ 2,804,234	\$ 2,804,234
Construction in Progress	766,185	286,089
Land Improvements	222,620	296,982
Buildings and Improvements	45,751,946	45,160,938
Furnitures, Fixtures and Equipment	1,821,621	2,006,068
Vehicles	604,319	503,142
<i>Totals</i>	<u>\$ 51,970,925</u>	<u>\$ 51,057,453</u>

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)*

The \$913,472 increase in capital assets was attributable to the purchase of new capital assets and the commencement of new capital projects that have not been completed as of the end of the year. See Note 9 for more information about the capital assets of the School District.

Debt

At June 30, 2018, the School District had \$27,861,295 in debt outstanding. See Note 13 for additional details. Table 5 summarizes debt outstanding.

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2018	2017
Energy Conservation Refunding Bond	\$ 1,735,000	\$ 2,005,000
School Improvement Bond- Serial & Term	25,445,000	25,690,000
School Improvement Bonds- Capital Appreciation	66,704	114,728
Accretion on Capital Appreciation Bonds	340,688	400,358
Bond Premium	782,590	811,774
Bond Discounts	(508,687)	(525,790)
<i>Total</i>	<u>\$ 27,861,295</u>	<u>\$ 28,496,070</u>

Current Issues

The construction partnership with the Ohio Facilities Construction Commission is in the close-out process of the project and will be completely closed by the end of fiscal year 2019. The new elementary and middle schools opened in September 2015. In fiscal year 2016, the Board of Education renovated a building to house the Central Administration and school bus maintenance facility with Permanent Improvement funds. The School District has completed building renovations, including installation of HVAC, remodeling of the Principal's offices and upgrading restroom areas to meet ADA standards to the three elementary schools as well as renovating the bleachers at the athletic field using general funds. In fiscal years 2019, 2020 and 2021, the Board of Education has approved the renovation of the High School which includes adding HVAC. The Board of Education has also embarked on the construction of a new multi-million dollar field house with the assistance of the community through generous donations.

The School District's voters continue to renew a 9.9 mill operating levy which is the only levy that the district has that is not "continuing". The levy is due for renewal in 2021. The levy generates approximately 4.4 million dollars in property tax revenue per fiscal year. The levy is renewable every 5 years.

The Board of Education and administration continue to closely monitor the revenue and expenditures in accordance with the School District's financial forecast. Management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)*

The School District, with the assistance of Ohio School Boards Association (OSBA) completed a Strategic Plan in fiscal year 2018. The Strategic Planning committee included diverse members of the community as well as School District personnel and Board of Education members.

Changes to the state's funding formula have been made during each biennium budget cycle; the legislature continues to "tweak" the formula. School District and state property value and wealth averaged over 3 years is the driving factor for funding. School District average daily membership (ADM) continues to hover between 3,100 and 3,200 students each year. The School District during fiscal year 2018 was funded on the formula, but is very close to being funded based on the "guarantee" which means the state would guarantee funding at the rate that the School District was funded in 2017.

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 Susan K. Guthrie, Treasurer of Ashland City School District, 1407 Claremont Avenue, Ashland, Ohio 44805.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*STATEMENT OF NET POSITION
JUNE 30, 2018*

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 20,604,184
Taxes Receivable	18,488,627
Accounts Receivable	19,567
Accrued Interest Receivable	9,768
Intergovernmental Receivable	602,742
Prepaid Items	30,911
Nondepreciable Capital Assets	3,570,419
Depreciable Capital Assets, Net	48,400,506
Total Assets	91,726,724
 DEFERRED OUTFLOWS OF RESOURCES	
Deferral on Refunding	21,820
Pension	12,308,199
OPEB	539,065
Total Deferred Outflows of Resources	12,869,084
 LIABILITIES	
Accounts Payable	75,593
Contracts Payable	446,483
Accrued Wages and Benefits	2,731,337
Intergovernmental Payable	550,731
Accrued Interest Payable	157,298
Matured Compensated Absences Payable	110,113
Retainage Payable	10,221
Claims Payable	116,671
Long-term Liabilities:	
Due within one year	948,705
Due in more than one year:	
Net Pension Liability	38,694,472
Net OPEB Liability	8,182,099
Other Amounts	29,103,672
Total Liabilities	81,127,395
 DEFERRED INFLOWS OF RESOURCES	
Property Taxes	11,439,077
Pension	2,613,313
OPEB	935,037
Total Deferred Inflows of Resources	14,987,427
 NET POSITION	
Net Investment in Capital Assets	24,411,450
Restricted:	
Capital Projects	3,458,830
Debt Service	2,005,144
Classroom Facilities Maintenance	463,936
Locally Funded Programs	2,156
State Funded Programs	45,609
Student Activities	221,792
Other Purpose	14,250
Unrestricted	(22,142,181)
Total Net Position	\$ 8,480,986

See accompanying notes to the basic financial statements.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,194,183	\$ 1,231,207	\$ 120,278	\$ (3,842,698)
Special	2,208,522	166,579	2,240,979	199,036
Vocational	83,889	-	86,831	2,942
Other	1,043,406	-	1,393	(1,042,013)
Supporting Services:				
Pupils	1,522,559	-	249,956	(1,272,603)
Instructional Staff	1,313,288	-	113,850	(1,199,438)
Board of Education	114,774	-	-	(114,774)
Administration	1,224,950	-	82,516	(1,142,434)
Fiscal Services	845,426	-	-	(845,426)
Business	460,823	-	-	(460,823)
Operation and Maintenance of Plant	2,115,703	17,682	-	(2,098,021)
Pupil Transportation	1,431,850	6,431	-	(1,425,419)
Central	307,406	-	9,000	(298,406)
Operation of Non-Instructional Services:				
Food Service Operations	1,325,227	426,819	607,473	(290,935)
Community Services	214,451	-	222,960	8,509
Enterprise Operations	1,437	-	-	(1,437)
Other Operations	301	350	-	49
Extracurricular Activities	701,142	398,604	-	(302,538)
Interest and Fiscal Charges	1,087,678	-	-	(1,087,678)
Total Governmental activities	\$ 21,197,015	\$ 2,247,672	\$ 3,735,236	(15,214,107)

General Revenues:

Property Taxes levied for:	
General Purposes	15,285,184
Debt Service	1,287,837
Capital Outlay	739,961
Classroom Facilities and Maintenance	81,968
Payments in Lieu of Taxes	33,522
Grants & Entitlements not restricted to specific programs	15,661,135
Contributions and Donations not restricted to specific programs	41,280
Investment Income	156,292
Miscellaneous	133,459
Total General Revenues	33,420,638
Change in Net Position	18,206,531
Net Position - Beginning of Year, Restated	(9,725,545)
Net Position - End of Year	\$ 8,480,986

See accompanying notes to the basic financial statements.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018*

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 12,765,714	\$ 6,043,761	\$ 18,809,475
Accrued Interest Receivable	9,768	-	9,768
Accounts Receivable	19,567	-	19,567
Interfund Receivable	593,532	-	593,532
Intergovernmental Receivable	224,544	378,198	602,742
Prepaid Items	29,959	952	30,911
Taxes Receivable	16,477,254	2,011,373	18,488,627
Total Assets	<u>\$ 30,120,338</u>	<u>\$ 8,434,284</u>	<u>\$ 38,554,622</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 50,336	\$ 25,257	\$ 75,593
Contracts Payable	397,229	49,254	446,483
Accrued Wages and Benefits	2,456,494	274,843	2,731,337
Intergovernmental Payable	497,606	53,125	550,731
Matured Compensated Absences Payable	110,113	-	110,113
Retainage Payable	9,609	612	10,221
Interfund Payable	-	593,532	593,532
Total Liabilities	<u>3,521,387</u>	<u>996,623</u>	<u>4,518,010</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	10,206,500	1,232,577	11,439,077
Unavailable Revenue-Delinquent Property Taxes	495,394	61,526	556,920
Unavailable Revenue - Grants	-	124,239	124,239
Total Deferred Inflows of Resources	<u>10,701,894</u>	<u>1,418,342</u>	<u>12,120,236</u>
FUND BALANCES			
Nonspendable	47,402	952	48,354
Restricted	-	6,653,505	6,653,505
Assigned	6,477,187	-	6,477,187
Unassigned (Deficits)	9,372,468	(635,138)	8,737,330
Total Fund Balances	<u>15,897,057</u>	<u>6,019,319</u>	<u>21,916,376</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 30,120,338</u>	<u>\$ 8,434,284</u>	<u>\$ 38,554,622</u>

See accompanying notes to the basic financial statements.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018*

Total Governmental Fund Balances \$ 21,916,376

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 51,970,925

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:

Delinquent Property Taxes	\$	556,920	
Intergovernmental		124,239	
Total			681,159

Internal Service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the District Internal Service funds are included in Governmental Activities in the Statement of Net Position. 1,678,038

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported. (157,298)

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. 21,820

The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension		12,308,199	
Deferred Inflows - Pension		(2,613,313)	
Net Pension Liability		(38,694,472)	
Deferred Outflows - OPEB		539,065	
Deferred Inflows - OPEB		(935,037)	
Net OPEB Liability		(8,182,099)	
Total			(37,577,657)

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		(27,180,000)	
Capital Appreciation Bonds		(66,704)	
Bond Premium		(782,590)	
Bond Discount		508,687	
Accretion of Interest		(340,688)	
Compensated Absences		(2,191,082)	
Total			(30,052,377)

Net Position of Governmental Activities \$ 8,480,986

See accompanying notes to the basic financial statements.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	\$ 15,398,407	\$ 2,126,651	\$ 17,525,058
Intergovernmental	16,707,679	2,959,564	19,667,243
Interest	132,931	23,361	156,292
Tuition	1,368,938	-	1,368,938
Extracurricular Activities	193,244	206,498	399,742
Rentals	17,682	-	17,682
Charges for Services	825	426,819	427,644
Contributions and Donations	54,165	6,882	61,047
Classroom Materials and Fees	31,822	-	31,822
Payments in Lieu of Taxes	33,522	-	33,522
Miscellaneous	65,853	27,129	92,982
Total Revenues	34,005,068	5,776,904	39,781,972
EXPENDITURES			
Current:			
Instruction:			
Regular	15,019,422	87,707	15,107,129
Special	3,770,513	1,120,738	4,891,251
Vocational	306,145	-	306,145
Other	1,064,347	1,537	1,065,884
Supporting Services:			
Pupils	1,841,655	380,089	2,221,744
Instructional Staff	1,308,654	149,362	1,458,016
Board of Education	117,604	-	117,604
Administration	2,284,784	131,834	2,416,618
Fiscal Services	847,232	46,353	893,585
Business	487,790	-	487,790
Operation and Maintenance of Plant	2,116,487	134,373	2,250,860
Pupil Transportation	1,228,469	84,026	1,312,495
Central	410,700	9,000	419,700
Operation of Non-Instructional Services:			
Food Service Operations	30	1,226,470	1,226,500
Community Services	2,447	248,192	250,639
Enterprise Operations	1,437	-	1,437
Other Non-Instructional Services	218	-	218
Extracurricular Activities	822,976	279,262	1,102,238
Capital Outlay	1,719,277	280,759	2,000,036
Debt Service:			
Principal Retirement	270,000	500,000	770,000
Interest and Fiscal Charges	48,563	901,525	950,088
Total Expenditures	33,668,750	5,581,227	39,249,977
Excess of Revenues Over (Under) Expenditures	336,318	195,677	531,995
OTHER FINANCING SOURCES			
Sale of Capital Assets	1,946	-	1,946
Total Other Financing Sources	1,946	-	1,946
Net Change in Fund Balances	338,264	195,677	533,941
Fund Balances - Beginning of Year	15,558,793	5,823,642	21,382,435
Fund Balances - End of Year	\$ 15,897,057	\$ 6,019,319	\$ 21,916,376

See accompanying notes to the basic financial statements.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*RECONCILIATION OF 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 **\$ 533,941**

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. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	\$ 2,054,713	
Depreciation	<u>(1,100,998)</u>	
Total		953,715

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets. (40,243)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(130,108)	
Intergovernmental	<u>(188,186)</u>	
Total		(318,294)

Repayment of bond principal are expenditures in the Governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 563,024

Amortization of gain/loss on refunding bonds are not reported in the fund but are allocated as an expense over the life of the debt in the statement of activities (4,365)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows

Pension		2,597,282
OPEB		77,350

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the Statement of Activities.

Pension		13,059,812
OPEB		1,425,508

In the Statement of Activities, interest is accrued on outstanding bonds, and bond premium and discount are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.

Accrued Interest Payable	2,000	
Amortization of Premium on Bonds	29,184	
Amortization of Discount on Bonds	<u>(17,103)</u>	14,081

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	41,962	
Bond Accretion	<u>59,670</u>	
Total		101,632

Internal Service funds are used by management to charge costs to certain activities, such as insurance to individual funds. The net revenue (expense) of the Internal Service fund are reported in the Governmental Activities. (756,912)

Change in Net Position of Governmental Activities **\$ 18,206,531**

See accompanying notes to the basic financial statements.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND 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		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 17,879,447	\$ 16,239,399	\$ 15,835,048	\$ (404,351)
Intergovernmental	13,218,368	16,921,597	16,500,260	(421,337)
Interest	122,810	157,216	153,301	(3,915)
Tuition	1,097,836	1,405,404	1,370,410	(34,994)
Extracurricular Activities	61,373	78,567	76,611	(1,956)
Rentals	15,072	19,294	18,814	(480)
Rentals	6,158	7,883	7,687	(196)
Contributions and Donations	32,732	41,902	40,859	(1,043)
Payments in Lieu of Taxes	26,854	34,378	33,522	(856)
Miscellaneous	42,998	55,045	53,674	(1,371)
Total Revenues	<u>32,503,649</u>	<u>34,960,685</u>	<u>34,090,186</u>	<u>(870,499)</u>
Expenditures				
Current:				
Instruction				
Regular	13,917,544	15,372,492	14,930,247	442,245
Special	3,571,164	3,944,496	3,944,496	-
Vocational	294,069	324,811	323,754	1,057
Other	995,170	1,099,206	1,062,036	37,170
Supporting Services				
Pupils	1,821,912	2,012,376	1,962,808	49,568
Instructional Staff	1,174,325	1,297,090	1,289,702	7,388
Board of Education	201,177	222,208	197,313	24,895
Administration	2,141,530	2,365,407	2,349,268	16,139
Fiscal Services	769,770	850,242	844,578	5,664
Business	478,579	528,610	505,733	22,877
Operation and Maintenance of Plant	2,221,474	2,453,708	2,210,325	243,383
Pupil Transportation	1,201,239	1,326,817	1,258,185	68,632
Central	399,114	440,838	425,970	14,868
Operation of Non-Instructional Services				
Community Services	1,418	1,566	1,151	415
Enterprise Operations	1,151	1,271	1,271	-
Extracurricular Activities	739,811	817,151	816,395	756
Capital Outlay	3,636,125	4,016,248	4,016,248	-
Debt Service:				
Principal	244,446	270,000	270,000	-
Interest & Fiscal Charges	43,967	48,563	48,563	-
Total Expenditures	<u>33,853,985</u>	<u>37,393,100</u>	<u>36,458,043</u>	<u>935,057</u>
Excess of Revenues Over Expenditures	(1,350,336)	(2,432,415)	(2,367,857)	64,558
Other Financing Sources (Uses)				
Sale of Capital Assets	1,946	1,946	1,946	-
Refund of Prior Year Expenditures	278,493	278,493	278,493	-
Refund of Prior Year Receipts	(11,124)	(11,124)	(11,124)	-
Advances In	300,000	300,000	300,000	-
Advances Out	(435,000)	(435,000)	(435,000)	-
Transfers Out	(560)	(560)	(560)	-
Total Other Financing Sources (Uses)	<u>133,755</u>	<u>133,755</u>	<u>133,755</u>	<u>-</u>
Net Change in Fund Balance	(1,216,581)	(2,298,660)	(2,234,102)	64,558
Fund Balance - Beginning of Year	11,748,614	11,748,614	11,748,614	-
Prior Year Encumbrances Appropriated	300,669	300,669	300,669	-
Fund Balance - End of Year	<u>\$ 10,832,702</u>	<u>\$ 9,750,623</u>	<u>\$ 9,815,181</u>	<u>\$ 64,558</u>

See accompanying notes to the basic financial statements.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2018*

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 1,794,709
Total Assets	<u>1,794,709</u>
LIABILITIES	
Current Liabilities:	
Claims Payable	<u>116,671</u>
Total Liabilities	<u>116,671</u>
NET POSITION	
Unrestricted	<u>1,678,038</u>
Total Net Position	<u>\$ 1,678,038</u>

See accompanying notes to the basic financial statements

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges for Services	\$ 4,576,282
Miscellaneous	77,912
Total Operating Revenues	<u>4,654,194</u>
OPERATING EXPENSES	
Purchased Services	313,793
Claims	5,118,898
Other	3,748
Total Operating Expense	<u>5,436,439</u>
Operating Loss	<u>(782,245)</u>
NONOPERATING REVENUES	
Interest	<u>25,333</u>
Total Nonoperating Revenues	<u>25,333</u>
Change in Net Position	(756,912)
Net Position - Beginning of Year	<u>2,434,950</u>
Net Position - End of Year	<u><u>\$ 1,678,038</u></u>

See accompanying notes to the basic financial statements

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 4,576,282
Other Cash Receipts	77,912
Cash Payments for Employee Benefits	(329)
Cash Payments for Goods and Services	(313,793)
Cash Payments for Claims	(5,221,667)
Other Cash Payments	(3,748)
Net Cash Used in Operating Activities	<u>(885,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	<u>25,333</u>
Net Cash Provided by Investing Activities	<u>25,333</u>
Net Decrease in Cash and Cash Equivalents	(860,010)
Cash and Cash Equivalents - Beginning of Year	<u>2,654,719</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,794,709</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (782,245)
Adjustments:	
Increase (Decrease) in Liabilities:	
Accounts Payable	(329)
Claims Payable	(102,769)
Net Cash Used in Operating Activities	<u><u>\$ (885,343)</u></u>

See accompanying notes to the basic financial statements

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018*

	Private Purpose Trust	Agency Funds
Assets		
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 104,707	\$ 84,983
Investments in Segregated Accounts	297,262	-
Total Assets	401,969	84,983
Liabilities		
Accounts Payable	-	92
Undistributed Monies	-	2,323
Due to Students	-	82,568
Total Liabilities	-	84,983
Net Position		
Held in Trust for Scholarships	401,969	
Total Net Position	\$ 401,969	

See accompanying notes to the basic financial statements.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

	<u>Private Purpose Trust</u>
Additions	
Gifts and Donations	\$ 29,342
Investment Earnings	(34,726)
Miscellaneous	<u>403</u>
 <i>Total Additions</i>	 <u>(4,981)</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>26,818</u>
 <i>Change in Net Position</i>	 (31,799)
 <i>Net Position Beginning of Year</i>	 <u>433,768</u>
 <i>Net Position End of Year</i>	 <u>\$ 401,969</u>

See accompanying notes to the basic financial statements.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

Note 1 - Description of the School District and Reporting Entity

The Ashland 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 form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District’s six instructional/support facilities.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. 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; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with the Tri-County Computer Service Association (TCCSA), which is defined as a jointly governed organization. A jointly governed organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 14.

The Ashland Public Library (the “Library”) is a related organization to the School District. The school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2018.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

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 government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

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

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

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

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

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

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

Proprietary Funds Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee medical and prescription benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, which accounts for several 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 only agency funds account for student activities, CPR certification and athletic tournaments.

Measurement Focus

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

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources 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 Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

Private purpose trust funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements. Agency funds do not report a measurement focus as they do not report operations.

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes and payments in lieu of taxes are recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

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 nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, 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 Note 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, 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, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Note 11 and 12).

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

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

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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

Cash and Investments

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

During fiscal year 2018, School District's investments were limited to STAR Ohio, negotiable certificates of deposit, commercial paper, and money market mutual funds.

In previous fiscal years, the School District received donated stocks, which are reported in a permanent endowment fund as "Investments in Segregated Accounts." The stocks are carried at fair value and are not to be sold. The dividends are used for expenditures of this fund.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

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

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Investment earnings (including fair market value adjustments for investments) credited to the general fund during fiscal year 2018 amounted to \$132,931, which includes \$35,044 assigned from other School District funds.

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

Prepaid Items

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

Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. 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 value as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the 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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-20 years
Buildings and Improvements	20-40 years
Furnitures, Fixtures and Equipment	15-20 years
Vehicles	8 years

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

Interfund Balances

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

Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee’s wage rates at fiscal year-end, taking into consideration any limits specified in the School District’s termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

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

Pensions/Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-Term Obligations

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

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Fund Balance

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

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

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

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

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

Interfund Activity

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

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 for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

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 had no special or extraordinary items.

Estimates

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

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

Note 3 – Change in Accounting Principles and Restatement of Net Position

During the fiscal year 2018, the School District implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The object of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this Statement did not have an effect on the financial statements of the School District.

GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this Statement did not have an effect on the financial statements of the School District.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this Statement did not have an effect on the financial statements of the School District.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

The implementation of this Statement had the following effect on net position as reported at June 30, 2017:

Net Position June 30, 2017	\$ 355,384
Adjustments:	
Net OPEB liability	(10,150,314)
Deferred Inflow - Payments Subsequent to Measurement Date	69,385
Restated Net Position June 30, 2017	<u>\$ (9,725,545)</u>

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

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

Note 4 - Accountability

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

<i>Non-major Special Revenue Funds</i>	
Food Service	\$ 536,104
IDEA -B	19,329
Title I	71,292
Tilte II-A	7,043
Miscellaneous Federal Grants	1,370

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

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented on the budgetary basis for the general fund. The major differences between the budget basis and GAAP basis are:

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

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

Net Change in Fund Balance	
GAAP Basis	\$ 338,264
Net Adjustment for Revenue Accruals	240,207
Net Adjustment for Expenditure Accruals	267,436
Net Adjustment for Other Financing Sources	(135,000)
Funds with Separate Legally Adopted Budgets	(15,980)
Adjustment for Encumbrances	(2,929,029)
Budget Basis	\$ (2,234,102)

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

Note 6 - Deposits and Investments

State statute classifies monies held by the School District into three categories.

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

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

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

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;

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

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Deposits with Financial Institutions

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The School District's financial institution had enrolled in OPCS as of June 30, 2018.

At fiscal year-end, the carrying amount of the School District's deposits was \$11,099,563 which includes \$74 of cash on hand. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2018, \$3,278,857 of the School District's bank balance of \$11,393,266 was exposed to custodial credit risk as discussed above. \$8,114,409 of the bank balance was covered by Federal Deposit Insurance Corporation.

Investments

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

Investment Type	Measurement Amount	S&P Global Ratings	Investment Maturities (in Years)	
			<1	1-3
STAR Ohio	\$ 4,676,429	AAAm	\$ 4,676,429	\$ -
Certificates of Deposit	1,939,298	N/A	-	1,939,298
Commercial Paper	3,062,394	A1/P1	3,062,394	-
Money Market Funds	16,190	N/A	16,190	-
Total Investments	\$ 9,694,311		\$ 7,755,013	\$ 1,939,298

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. As discussed further in Note 2, STAR Ohio is reported at its net asset value. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

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

Credit Risk The School District’s investments at June 30, 2018 are rated as shown on the previous page by S&P Global Ratings. STAR Ohio carries a rating of AAAm by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The School District’s investment in negotiable certificates of deposit was fully insured by Federal depository insurance.

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

<u>Investment Type</u>	<u>Measurement Amount</u>	<u>Percent of Total</u>
STAR Ohio	\$ 4,676,429	48.24%
Certificates of Deposit	1,939,298	20.00%
Commercial Paper	3,062,394	31.59%
Money Market Funds	16,190	0.17%
Total Investments	\$ 9,694,311	100%

Investments – Private Purpose Trust Fund

As of June 30, 2018, the School District’s permanent endowment fund had the following investments:

<u>Investment Type</u>	<u>Measurement Amount</u>	<u>Percent of Total</u>
Stocks:		
AT&T	\$ 154,996	52.14%
CenturyLink, Inc.	1,789	0.60%
ComCast	49,084	16.51%
Exelon	8,520	2.87%
NCR Corp.	3,084	1.04%
Teradata	4,130	1.39%
Verizon	66,058	22.22%
Frontier	96	0.03%
Vodafone	9,505	3.20%
Total	\$ 297,262	100%

These investments were donated in a prior year and the principal amount is non-expendable.

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Note 7 - 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 Ashland and Richland Counties. The County Auditors periodically advance 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 available as an advance at June 30, 2018 in the general, bond retirement, permanent improvement and classroom facilities maintenance funds were \$5,775,360, \$481,358, \$203,837, and \$32,075, respectively. The amount available for advance at June 30, 2017, in the general, bond retirement, permanent improvement and classroom facilities maintenance funds were \$6,212,001, \$534,501, \$218,514, and \$47,304, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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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
Agricultural/Residential and Other Real Estate	\$ 433,170,240	94.15%	\$ 466,253,340	93.31%
Public Utility Personal	26,893,790	5.85%	33,453,840	6.69%
Total Assessed Values	<u>\$ 460,064,030</u>	<u>100.00%</u>	<u>\$ 499,707,180</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 65.95</u>		<u>\$ 65.80</u>	

Note 8 - Receivables

Receivables at June 30, 2018, consisted of taxes, accounts, interfund and intergovernmental grants. 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.

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Note 9 - Capital Assets

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

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
<u>Governmental Activities</u>				
Capital Assets, not being depreciated:				
Land	\$ 2,804,234	\$ -	\$ -	\$ 2,804,234
Construction in Progress	286,089	1,779,211	(1,299,115)	766,185
Total Capital Assets, not being depreciated	3,090,323	1,779,211	(1,299,115)	3,570,419
Capital Assets, being depreciated:				
Land Improvements	2,909,213	-	-	2,909,213
Buildings and Improvements	53,543,131	1,315,955	-	54,859,086
Furniture, Fixtures and Equipment	5,489,068	90,210	(164,704)	5,414,574
Vehicles	1,923,979	168,452	(238,217)	1,854,214
Total Capital Assets, being depreciated	63,865,391	1,574,617	(402,921)	65,037,087
Less Accumulated Depreciation:				
Land Improvements	(2,612,231)	(74,362)		(2,686,593)
Buildings and Improvements	(8,382,193)	(724,947)		(9,107,140)
Furniture, Fixtures and Equipment	(3,483,000)	(258,236)	148,283	(3,592,953)
Vehicles	(1,420,837)	(43,453)	214,395	(1,249,895)
Total Accumulated Depreciation	(15,898,261)	(1,100,998)	362,678	(16,636,581)
Total Capital Assets being depreciated, Net	47,967,130	473,619	(40,243)	48,400,506
Governmental Activities Capital Assets, Net	\$ 51,057,453	\$ 2,252,830	\$ (1,339,358)	\$ 51,970,925

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	186,882
Special	3,598
Vocational	2,692
Support Services:	
Pupil	2,947
Instructional Staff	362,559
Administration	2,973
Fiscal Services	1,241
Operation and Maintenance of Plant	83,801
Pupil Transportation	193,554
Central	2,341
Operation of Non-Instructional Services	
Food Service	134,619
Extracurricular Activities	123,791
Total Depreciation Expense	1,100,998

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Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance in the past three years nor has insurance coverage been significantly reduced in the current year.

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$116,671, reported in the fund at year end, was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$100,000 per employee.

Changes in fund's claims liability for the fiscal years 2018 and 2017 are as follows:

	<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance End of Year</u>
2017	\$ 237,322	\$ 3,679,339	\$ 3,697,221	\$ 219,440
2018	\$ 219,440	\$ 5,118,898	\$ 5,221,667	\$ 116,671

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

Note 11 - 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.

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

One year after an effective benefit date, a benefit recipient is entitled to a 2.5 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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

The School District's contractually required contribution to SERS was \$483,944 for fiscal year 2018. Of this amount \$31,569 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017 the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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, 13.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes 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 services. 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.

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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 in the GASB 68 schedules of employer allocation and pension amounts by employer.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. 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 contributions to STRS were \$2,113,338 for fiscal year 2018. Of this amount \$423,972 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.10573590%	0.13298381%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.10571400%	0.13629974%	
Change in Proportionate Share	-0.00002190%	0.00331593%	
Proportionate Share of the Net Pension			
Liability	\$ 6,316,177	\$ 32,378,295	\$ 38,694,472
Pension Expense	\$ (303,010)	\$ (12,756,802)	\$ (13,059,812)

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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	\$ 271,827	\$ 1,250,298	\$ 1,522,125
Changes of assumptions	326,614	7,081,489	7,408,103
Changes in proportion and differences between contributions and proportionate share of contributions	-	780,689	780,689
School District contributions subsequent to the measurement date	483,944	2,113,338	2,597,282
Total Deferred Outflows of Resources	\$ 1,082,385	\$ 11,225,814	\$ 12,308,199
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 260,957	\$ 260,957
Net difference between projected and actual earnings on pension plan investments	29,984	1,068,522	1,098,506
Changes in proportion and differences between contributions and proportionate share of contributions	93,813	1,160,037	1,253,850
Total Deferred Inflows of Resources	\$ 123,797	\$ 2,489,516	\$ 2,613,313

\$2,597,282 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 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	\$ 177,641	\$ 1,202,342	\$ 1,379,983
2020	351,565	2,655,899	3,007,464
2021	92,682	2,003,914	2,096,596
2022	(147,244)	760,805	613,561
Total	\$ 474,644	\$ 6,622,960	\$ 7,097,604

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Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COA or Ad Hoc COLA

The mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 130% of male rates and 110% of female rates is used to evaluate allowances to be paid. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class.

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The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning 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 net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's Proportionate Share of the Net Pension Liability	\$ 8,765,214	\$ 6,316,177	\$ 4,264,611

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

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	July 1, 2017
Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
	July 1, 2016
Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3.5 percent
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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

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

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

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

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

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* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's 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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 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 payment 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 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 rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$ 46,413,185	\$ 32,378,295	\$ 20,556,005

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2018, one Board of Education Member had elected Social Security. The School District's liability is 6.2 percent of wages paid.

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Note 12 – Defined Benefit OPEB Plans

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.

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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 \$59,426.

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 \$77,350 for fiscal year 2018. Of this amount \$59,426 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.

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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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.10659336%	0.13298381%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.10672380%</u>	<u>0.13629974%</u>	
Change in Proportionate Share	<u>0.00013044%</u>	<u>0.00331593%</u>	
Proportionate Share of the Net OPEB			
Liability	\$ 2,864,186	\$ 5,317,913	\$ 8,182,099
OPEB Expense	\$ 171,898	\$ (1,597,406)	\$ (1,425,508)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 306,983	\$ 306,983
Changes in proportion and differences between contributions and proportionate share of contributions	2,729	152,003	154,732
School District contributions subsequent to the measurement date	<u>77,350</u>	<u>-</u>	<u>77,350</u>
Total Deferred Outflows of Resources	<u>\$ 80,079</u>	<u>\$ 458,986</u>	<u>\$ 539,065</u>
Deferred Inflows of Resources			
Changes of assumptions	\$ 271,797	\$ 428,376	\$ 700,173
Net difference between projected and actual earnings on OPEB plan investments	<u>7,564</u>	<u>227,300</u>	<u>234,864</u>
Total Deferred Inflows of Resources	<u>\$ 279,361</u>	<u>\$ 655,676</u>	<u>\$ 935,037</u>

\$77,350 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:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ (99,379)	\$ (51,723)	\$ (151,102)
2020	(99,379)	(51,723)	(151,102)
2021	(75,983)	(51,723)	(127,706)
2022	(1,891)	(51,723)	(53,614)
2023	-	5,102	5,102
Thereafter	-	5,100	5,100
Total	\$ (276,632)	\$ (196,690)	\$ (473,322)

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 investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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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:

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

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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%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$3,458,870	\$2,864,186	\$2,393,045

	1% Decrease (6.5 % decreasing to 4.0%)	Current Trend Rate (7.5 % decreasing to 5.0%)	1% Increase (8.5 % decreasing to 6.0%)
School District's proportionate share of the net OPEB liability	\$2,324,073	\$2,864,186	\$3,579,036

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 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 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.

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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	\$7,139,213	\$5,317,913	\$3,878,491

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$3,694,658	\$5,317,913	\$7,454,306

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

Note 13 - Long-Term Obligations

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

	Restated Balance as of 6/30/2017	Issuances	Retirements	Balance as of 6/30/2018	Amounts Due In One Year
<i>General Obligation Bonds</i>					
<i>Classroom Facilities and School Improvement Bonds</i>					
Serial and Term Bonds	\$ 9,085,000	\$ -	\$ (245,000)	\$ 8,840,000	\$ 250,000
Unamortized Premium	96,387	-	(3,855)	92,532	-
Discount	(76,744)	-	3,070	(73,674)	-
<i>Classroom Facilities and School Improvement Bonds</i>					
Serial and Term Bonds	16,605,000	-	-	16,605,000	-
Capital Appreciation Bonds	114,728	-	(48,024)	66,704	33,834
Accretion on Capital Appreciation Bonds	400,358	147,306	(206,976)	340,688	-
Unamortized Premium	693,436	-	(21,670)	671,766	-
Discount	(449,046)	-	14,033	(435,013)	-
<i>Energy Conservation Improvement Refunding Bonds</i>					
Serial and Term Bonds	2,005,000	-	(270,000)	1,735,000	275,000
Unamortized Premium	21,951	-	(3,659)	18,292	-
<i>Total General Obligation Bonds</i>	<u>28,496,070</u>	<u>147,306</u>	<u>(782,081)</u>	<u>27,861,295</u>	<u>558,834</u>
<i>Total Net Pension Liability</i>					
STRS	44,513,690	-	(12,135,395)	32,378,295	-
SERS	7,738,892	-	(1,422,715)	6,316,177	-
<i>Total Net OPEB Liability</i>					
STRS	7,112,009	-	(1,794,096)	5,317,913	-
SERS	3,038,305	-	(174,119)	2,864,186	-
<i>Total Net Pension and OPEB Liability</i>	<u>62,402,896</u>	<u>-</u>	<u>(15,526,325)</u>	<u>46,876,571</u>	<u>-</u>
<i>Other Long-Term Obligations</i>					
Compensated Absences	2,233,044	444,286	(486,248)	2,191,082	389,871
<i>Total Governmental Activities</i>	<u>\$ 93,132,010</u>	<u>\$ 591,592</u>	<u>\$ (16,794,654)</u>	<u>\$ 76,928,948</u>	<u>\$ 948,705</u>

2013 Energy Conservation Improvement Refunding Bonds

On June 26, 2013, the School District issued \$3,045,000 of general obligation serial bonds. The bonds refunded \$2,972,973 of outstanding Energy Conservation Bonds. The bonds were issued for a ten-year period with final maturity at November 1, 2023. At the date of refunding, \$3,081,587 (including premium and after underwriting discount, and other issuance costs) was received to pay off old debt. As a result, \$2,972,973 of the Energy Conservation Bonds is considered to be defeased and the liability for those bonds has been removed from the financial statements.

These refunding bonds were issued with a premium of \$36,587, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method.

The School District refunded the Energy Conservation Bonds to save \$106,531 in total debt service payments over the next ten years. The repayment is from the general fund.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

2013 Classroom Facilities and School Improvement Bonds – Series A

On April 5, 2013, the School District issued \$9,890,000 of general obligation bonds, which included serial and term bonds in the amount of \$5,900,000 and \$3,990,000, respectively. The bonds were issued for a thirty-year period with final maturity on November 1, 2042.

These improvement bonds were issued with a premium of \$111,807, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The discount of \$89,024 is also being amortized over the life of the bonds using the straight-line method. The serial bonds were issued with varying interest rates of 1.50 to 3.25 percent. The term bonds were issued with varying interest rates of 3.50 to 4.00 percent. The repayment is from the debt service fund.

2013 Classroom Facilities and School Improvement Bonds – Series B

On April 22, 2013, the School District issued \$17,579,728 of general obligation bonds, which included serial, term and capital appreciation bonds in the amount of \$4,410,000, \$13,055,000 and \$114,728, respectively. The bonds were issued for a thirty-seven-year period with final maturity on November 1, 2049.

These improvements bonds were issued with a premium of \$780,116, which is reported as an increase to bonds payable. The premium amount is being amortized to interest expense over the life of the bonds using the straight-line method. The bonds were issued at a discount of \$505,178 which is reported in the accompanying financial statements as a decrease to bonds payable and is also being amortized over the life of the bonds using the straight-line method.

The \$17,579,728 bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 1.25 to 3.375 percent. The term bonds were issued with a varying interest rate of 3.00 to 4.00 percent.

The capital appreciation bonds will mature from November 1, 2017 to November 1, 2020. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$930,000. The repayment is from the debt service fund.

Compensated absences are typically paid from the fund from which the employee is paid. In prior years this has primarily been the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

**ASHLAND CITY SCHOOL DISTRICT
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*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Classroom Facilities Serial and Term Bonds		Classroom Facilities Capital Appreciation Bonds		Energy Conservation Refunding Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 250,000	\$ 894,099	\$ 33,834	\$ 226,166	\$ 275,000	\$ 43,788	\$ 558,834	\$ 1,164,053
2020	260,000	888,400	22,929	232,070	280,000	37,788	562,929	1,158,258
2021	360,000	882,349	9,941	150,060	285,000	31,175	654,941	1,063,584
2022	530,000	872,287	-	-	295,000	23,556	825,000	895,843
2023	540,000	858,913	-	-	300,000	15,000	840,000	873,913
2024-2028	2,930,000	4,059,038	-	-	300,000	5,250	3,230,000	4,064,288
2029-2033	3,380,000	3,594,833	-	-	-	-	3,380,000	3,594,833
2034-2038	3,980,000	2,982,401	-	-	-	-	3,980,000	2,982,401
2039-2043	4,780,000	2,163,425	-	-	-	-	4,780,000	2,163,425
2044-2048	5,785,000	1,126,500	-	-	-	-	5,785,000	1,126,500
2049-2050	2,650,000	107,000	-	-	-	-	2,650,000	107,000
	<u>\$ 25,445,000</u>	<u>\$ 18,429,245</u>	<u>\$ 66,704</u>	<u>\$ 608,296</u>	<u>\$ 1,735,000</u>	<u>\$ 156,557</u>	<u>\$ 27,246,704</u>	<u>\$ 19,194,098</u>

Note 14 - Jointly Governed Organization

The Midland Council of Governments dba/Tri-County Computer Services Association is organized under Chapter 167 of the Ohio Revised Code. The Tri-County Computer Services Association (TCCSA) is a jointly governed organization. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts in Ashland, Holmes, Medina and Wayne counties. TCCSA is governed by representatives from each of the participating public-school districts served by TCCSA. TCCSA is recognized as one of twenty-three regional Information Technology Centers (ITC) as defined by the Ohio Department of Education. Each of the participating districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. Financial information can be obtained by contacting the Executive Director at the Tri-County Computer Services Association located at 2125 Eagle Pass, Wooster, OH 44691.

Note 15 – Fund Balance

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>			
Unclaimed Monies	\$ 17,443	\$ -	\$ 17,443
Prepaid Items	29,959	952	30,911
<i>Total Nonspendable</i>	<u>47,402</u>	<u>952</u>	<u>48,354</u>
<i>Restricted for</i>			
Debt Service	-	2,121,152	2,121,152
Capital Outlay	-	3,787,495	3,787,495
Facilities Maintenance	-	461,185	461,185
Extracurricular Activities	-	221,792	221,792
Auxiliary Services	-	40,359	40,359
State and Federal Programs	-	5,116	5,116
Other Purposes	-	16,406	16,406
<i>Total Restricted</i>	<u>-</u>	<u>6,653,505</u>	<u>6,653,505</u>
<i>Assigned to</i>			
FY19 Appropriations	3,978,116	-	3,978,116
Instruction	59,353	-	59,353
Support Services	372,393	-	372,393
Extracurricular Activities	3,898	-	3,898
Facilities Acquisition & Construction Services	2,063,427	-	2,063,427
<i>Total Assigned</i>	<u>6,477,187</u>	<u>-</u>	<u>6,477,187</u>
<i>Unassigned (Deficit)</i>	<u>9,372,468</u>	<u>(635,138)</u>	<u>8,737,330</u>
Total Fund Balances	<u><u>\$ 15,897,057</u></u>	<u><u>\$ 6,019,319</u></u>	<u><u>\$ 21,916,376</u></u>

Note 16 - Set-Asides

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

The following cash basis information describes the change in the set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Balance as of June 30, 2017	\$ -
Current Year Set-Aside Requirements	579,339
Qualifying Offsets	(963,934)
Total	<u>\$ (384,595)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$ -</u>
Set-Aside Balance as of June 30, 2018	<u><u>\$ -</u></u>

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

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

Note 17 – Contingencies and Commitments

Grants

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

Litigation

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

Contractual Commitments

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

	Contractual Commitment	Expended	Balance 6/30/2018
Interior Remodeling - Edisc	\$ 262,105	\$ 60,584	\$ 201,521
Interior Remodeling - Taft	262,105	61,196	200,909
HVAC Upgrade - Taft	1,174,660	551,137	623,523
Fieldhouse	24,000	24,000	-
High School Roof Repair	134,252	39,400	94,852
Stadium Renovation	226,410	29,868	196,542
Total	\$ 2,083,532	\$ 766,185	1,317,347

Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$2,929,032 in the general fund and \$365,365 in the non-major governmental funds.

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

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 a result of the fiscal year 2018 reviews, the School District is due \$1,974 from ODE. This amount has not been included in the financial statements.

Note 18 – Interfund Activity

Interfund Balances

Interfund balances at June 30, 2018 consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 593,532	\$ -
Other Governmental Funds	-	593,532
Total	<u>\$ 593,532</u>	<u>\$ 593,532</u>

The primary purpose of the interfund loans is to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received. All interfund loans are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2018 are reported on the Statement of Net Position.

Interfund Transfers

During fiscal year 2018, the general fund transferred \$560 to the Uniform School Supplies fund and \$669 to the Student Managed Activities fund for additional resources for current operations. Interfund transfers between governmental funds are eliminated in the statement of activities.

Note 19 – Tax Abatements

The City of Ashland and the Ashland City School District entered into Community Redevelopment Area (CRA) and Economic Zone agreements with various businesses for the abatement of property taxes to bring jobs and economic development into the City. Under the agreement, the companies' property taxes assessed to the District have been abated. During fiscal year 2018, the School District's property taxes were reduced by approximately \$435,411.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST FIVE FISCAL YEARS (1)*

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.1057140%	0.1057359%	0.1074235%	0.110380%	0.110380%
School District's Proportionate Share of the Net Pension Liability	\$ 6,316,177	\$ 7,738,892	\$ 6,129,689	\$ 5,586,269	\$ 6,563,944
School District's Covered Payroll	\$ 3,460,443	\$ 3,393,114	\$ 3,696,745	\$ 3,415,664	\$ 2,891,243
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	182.53%	228.08%	165.81%	163.55%	227.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL TEACHERS RETIREMENT SYSTEM OF OHIO
LAST FIVE FISCAL YEARS (1)*

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.13629974%	0.13298381%	0.13760240%	0.14092896%	0.14092896%
School District's Proportionate Share of the Net Pension Liability	\$ 32,378,295	\$ 44,513,690	\$ 38,029,291	\$ 34,278,800	\$ 40,832,683
School District's Covered Payroll	\$ 15,123,400	\$ 14,068,743	\$ 14,063,186	\$ 13,767,554	\$ 14,882,831
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	214.09%	316.40%	270.42%	248.98%	274.36%
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. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTION – PENSION
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 483,944	\$ 484,462	\$ 475,036	\$ 487,231	\$ 473,411	\$ 400,148	\$ 548,172	\$ 544,005	\$ 544,632	\$ 394,245
Contributions in Relation to the Contractually Required Contribution	<u>(483,944)</u>	<u>(484,462)</u>	<u>(475,036)</u>	<u>(487,231)</u>	<u>(473,411)</u>	<u>(400,148)</u>	<u>(548,172)</u>	<u>(544,005)</u>	<u>(544,632)</u>	<u>(394,245)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District Covered Payroll	\$ 3,584,770	\$ 3,460,443	\$ 3,393,114	\$ 3,696,745	\$ 3,415,664	\$ 2,891,243	\$ 4,075,628	\$ 4,327,804	\$ 4,022,393	\$ 4,006,555
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTION – PENSION
SCHOOL TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 2,113,338	\$ 2,117,276	\$ 1,969,624	\$ 1,968,846	\$ 1,789,782	\$ 1,934,768	\$ 2,481,832	\$ 2,117,960	\$ 1,984,446	\$ 2,140,156
Contributions in Relation to the Contractually Required Contribution	(2,113,338)	(2,117,276)	(1,969,624)	(1,968,846)	(1,789,782)	(1,934,768)	(2,481,832)	(2,117,960)	(1,984,446)	(2,140,156)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 15,095,271	\$ 15,123,400	\$ 14,068,743	\$ 14,063,186	\$ 13,767,554	\$ 14,882,831	\$ 19,091,015	\$ 16,292,000	\$ 15,264,969	\$ 16,462,738
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)*

	2018	2017
School District's Proportion of the Net OPEB Liability	0.1067238%	0.1065934%
School District's Proportionate Share of the Net OPEB Liability	\$ 2,864,186	\$ 3,038,305
School District's Covered Payroll	\$ 3,460,443	\$ 3,393,114
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.77%	89.54%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
SCHOOL TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)*

	2018	2017
School District's Proportion of the Net OPEB Liability	0.13629974%	0.13298381%
School District's Proportionate Share of the Net OPEB Liability	\$ 5,317,913	\$ 7,112,009
School District's Covered Payroll	\$ 15,123,400	\$ 14,068,743
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.16%	50.55%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS - OPEB
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution (1)	\$ 77,350	\$ 69,385	\$ 51,541	\$ 84,434	\$ 54,788	\$ 52,251	\$ 20,510	\$ 52,705	\$ 18,503	\$ 166,673
Contributions in Relation to the Contractually Required Contribution	(77,350)	(69,385)	(51,541)	(84,434)	(54,788)	(52,251)	(20,510)	(52,705)	(18,503)	(166,673)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
School District Covered Payroll	\$ 3,584,770	\$ 3,460,443	\$ 3,393,114	\$ 3,696,745	\$ 3,415,664	\$ 2,891,243	\$ 4,075,628	\$ 4,327,804	\$ 4,022,393	\$ 4,006,555
OPEB Contributions as a Percentage of Covered Payroll (1)	2.16%	2.01%	1.52%	2.28%	1.60%	1.81%	0.50%	1.22%	0.46%	4.16%

See accompanying notes to the required supplementary information

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

*REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS - OPEB
SCHOOL TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ 137,676	\$ 148,828	\$ 177,274	\$ 151,283	\$ 152,650	\$ 164,627
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	(137,676)	(148,828)	(177,274)	(151,283)	(152,650)	(164,627)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District Covered Payroll	\$ 16,056,900	\$ 15,123,400	\$ 14,068,743	\$ 14,063,186	\$ 13,767,554	\$ 14,882,831	\$ 17,727,400	\$ 15,128,300	\$ 15,264,969	\$ 16,462,738
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Net Pension Liability

Changes of benefit terms- SERS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions- SERS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

Changes in benefit terms – STRS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2018.

Changes in assumptions – STRS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY**

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

FEDERAL GRANTOR	Federal	
<i>Pass Through Grantor</i>	CFDA	
Program Title	Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non - Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	\$ 454,176
Cash Assistance:		
School Breakfast Program	10.553	144,917
National School Lunch Program	10.555	47,311
Cash Assistance Subtotal:		<u>192,228</u>
Total Child Nutrition Cluster		646,404
Total U.S. Department of Agriculture		<u>646,404</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	772,854
Special Education Cluster:		
Special Education_Grants to States	84.027	811,772
Special Education_Preschool Grants	84.173	22,200
Total Special Education Cluster		<u>833,972</u>
Improving Teacher Quality State Grants	84.367	148,941
Rural Education	84.358	13,318
Total Passed Through Ohio Department of Education		<u>1,769,085</u>
Total U.S. Department of Education		<u>1,769,085</u>
Total Federal Awards Expenditures		<u>\$ 2,415,489</u>

The accompanying notes are an integral part of this schedule.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY**

**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 Ashland City School District, Ashland County (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. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D - FOOD DONATION PROGRAM

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



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

Ashland City School District
Ashland County
1407 Claremont Avenue
Ashland, Ohio 44805

To the Board of Education

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ashland City School District, Ashland County, (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 March 5, 2019, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

March 5, 2019



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

Ashland City School District
Ashland County
1407 Claremont Avenue
Ashland, Ohio 44805

To the Board of Education:

Report on Compliance for each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our compliance opinion on each of the School District's major programs. 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 Ashland City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

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



Keith Faber
Auditor of State

Columbus, Ohio

March 5, 2019

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
June 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 84.010 – Title I Grants to Local Educational Agencies Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



ASHLAND CITY SCHOOL DISTRICT

ASHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2019**