CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2018

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Conneaut Area City School District
Ashtabula County
230 Gateway Avenue, Suite B
Conneaut, Ohio 44030

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The 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 25, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

March 25, 2019

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position increased $7,860,229 from fiscal year 2017, due to decreases in the net pension and OPEB liabilities. The effects of GASB 68 and 75 greatly distort the comparative analysis to follow in this MD&A due to the significant reduction to total expenses on a full accrual basis.
- The general fund and bond retirement fund are the only funds reported as major.
- During fiscal year 2018, the District paid down outstanding debt obligations by $480,000 and issued 2017 Classroom Facilities Refunding bonds for $2,430,000 to pay off the 2010 Classroom Facilities Refunding Bonds.
- The District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the District.
- For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB), resulting in the restatement of beginning net position from the previously reported $8,610,838, to $2,562,078.
- The District's total net pension liability decreased to $21,806,708 from $28,738,395 and the OPEB liability decreased to $4,911,973, from $6,090,416, a combined decrease of over $8.1 million. For more information on this liability see Notes 12 and 13 to the basic financial statements.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are the most significant funds, and the only governmental funds reported as major.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's performance, demographic and socioeconomic factors and willingness of the community to support the District.

In the Statement of Net Position and the Statement of Activities, all of the District's activities are classified as governmental. All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major fund begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2018 compared to June 30, 2017.

Net Position (Table 1)
Governmental Activities

	2018	(Restated) 2017	Increase (Decrease)
Assets			
Current and Other Assets	$12,987,306	$12,248,238	$739,068
Capital Assets, Net	29,613,773	31,380,527	(1,766,754)
Total Assets	42,601,079	43,628,765	(1,027,686)
Deferred Outflows of Resources			
Deferred Charge on Refunding	0	54,026	(54,026)
Pension	7,162,464	5,374,483	1,787,981
OPEB	200,759	41,656	159,103
Total Deferred Outflows of Resources	7,363,223	5,470,165	1,893,058
Liabilities			
Current Liabilities	2,013,388	1,967,601	45,787
Long-Term Liabilities			
Due within One Year	574,863	579,679	(4,816)
Due in More than One Year:			
Net Pension Liability	21,806,708	28,738,395	(6,931,687)
Net OPEB Liability	4,911,973	6,090,416	(1,178,443)
Other Amounts	3,920,622	4,482,291	(561,669)
Total Liabilities	33,227,554	41,858,382	(8,630,828)
Deferred Inflows of Resources			
Property Taxes	4,869,802	4,471,530	398,272
Pension	888,787	206,940	681,847
OPEB	555,852	0	555,852
Total Deferred Inflows of Resources	6,314,441	4,678,470	1,635,971
Net Position			
Net Investment in Capital Assets	26,263,773	27,499,771	(1,235,998)
Restricted	2,800,756	3,033,399	(232,643)
Unrestricted (Deficit)	(18,642,222)	(27,971,092)	9,328,870
Total Net Position	$10,422,307	$2,562,078	$7,860,229

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2018, the District's net position was $10,422,307, an increase of $7,860,229 from the prior fiscal year. The overall increase in net position is due to a significant decrease in the net pension liability and net OPEB liability.

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

Table 2
Change in Net Position

	2018	2017	Increase (Decrease)
Program Revenues			
Charges for Services and Sales	$808,727	$759,930	$48,797
Operating Grants and Contributions	2,333,364	1,797,906	535,458
Capital Grants and Contributions	90,421	242,653	(152,232)
Total Program Revenues	3,232,512	2,800,489	432,023
General Revenues			
Property Taxes	5,130,102	5,295,244	(165,142)
Intergovernmental	12,257,678	12,218,022	39,656
Investment Earnings	90,504	41,148	49,356
Miscellaneous	71,366	61,756	9,610
Total General Revenues	17,549,650	17,616,170	(66,520)
Total Revenues	$20,782,162	$20,416,659	$365,503
Program Expenses			
Current:			
Instruction	6,466,848	13,888,076	(7,421,228)
Support Services	5,307,655	6,980,005	(1,672,350)
Operation of Non-Instructional/Food Services	639,562	757,177	(117,615)
Extracurricular Activities	434,654	476,497	(41,843)
Interest and Fiscal Charges	73,214	94,413	(21,199)
Total Program Expenses	12,921,933	22,196,168	(9,274,235)
Change in Net Position	7,860,229	(1,779,509)	9,639,738
Net Position Beginning of Year - Restated	2,562,078	N/A	
Net Position End of Year	$10,422,307	$2,562,078	$7,860,229

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $41,656 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $744,316. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	$12,921,933
Negative OPEB Expense under GASB 75	744,316
2018 Contractually Required Contributions	37,385
Adjusted 2018 Program Expenses	13,703,634
Total 2017 Program Expenses under GASB 75	22,196,168
Decrease in Program Expenses not Related to OPEB	($8,492,534)

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home was reappraised and increased to $200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay $35.00 and the District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus the District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Property taxes made up 25 percent of revenues for governmental activities for Conneaut Area City School District in fiscal year 2018 versus 26 percent in fiscal year 2017 and 20 percent in fiscal year 2016. Calendar year 2014 was a reappraisal year for the District and historically the District could count on a 20 percent increase in assessed valuations. Due to the current housing market only a 3.6 percent increase in assessed valuations was realized with this appraisal. Calendar year 2011 was an update year so assessed values were reevaluated once again. The District has not gone to the community for a continuing operating levy since 1991. The District successfully passed a 5 year, 6.9 mill emergency levy in November 2000. Since the expiration of the emergency levy, the District has prudently managed expenses within revenues over the recent fifteen years. In May 2018, the District successfully appealed to the community for a five year, 5.0 mill emergency levy that will yield $1,029,652 in tax collections for years 2018 thru 2022.

Although the District relies upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset operating costs. Overall expenses decreased due mostly to the change in pension and OPEB assumptions. The District continues to make every effort to control costs without affecting the education of its students.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2018 compared to 2017.

(Table 3)
Total and Net Cost of Program Services

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$6,466,848	$4,553,567	$13,888,076	$12,289,009
Support Services:				
Pupils and Instructional Staff	921,548	561,342	1,755,733	1,703,238
Board of Education, Administration and Fiscal	1,422,961	1,317,210	2,288,288	2,183,966
Operation and Maintenance of Plant	1,665,424	1,665,424	1,949,638	1,949,638
Pupil Transportation	920,107	920,107	922,056	922,056
Central	377,615	377,615	64,290	64,290
Operation of Non-Instructional/Food Services	639,562	(13,846)	757,177	65,042
Extracurricular Activities	434,654	234,788	476,497	124,027
Interest and Fiscal Charges	73,214	73,214	94,413	94,413
Total Expenses	$12,921,933	$9,689,421	$22,196,168	$19,395,679

The District's Funds

Information about the District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $20,735,566 and expenditures of $20,491,883, excluding other financing sources and uses. The District's governmental funds reported a combined fund balance of $5,736,189, which is 4 percent higher than last year's total of $5,492,506. The increase in intergovernmental revenues was a factor in the overall increase in fund balances of District this fiscal year.

General Fund The general fund balance increased $345,662 during fiscal year 2018, an increase of 14 percent from the previous fiscal year, in large part due to Medicaid back claim payments stemming from 7/1/05 through 6/30/09 back claims, and both 11/12 Medicaid settlement and 12/13 Medicaid settlement all being received in the prior fiscal year but not recurring in fiscal year 2018. Instruction expenses increased $280,211 but overall expenses decreased, which contributed to the fund balance increase.

Bond Retirement Fund The bond retirement fund balance decreased 15 percent as expenditures outpaced revenues by $248,987.

General Fund Budgeting Highlights

Budgeting is prescribed by the Ohio Revised Code. Essentially, the budget is the District's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Ohio Revised Code.

During fiscal year 2018, the District did not amend its general fund revenue budget and actual revenues, excluding other financing sources, were $26,099 more than the original and final certification.

Actual expenditures, excluding other financing uses, were $895,594 less than final appropriations due mainly to a conservative budgeting approach and the diligence of management to keep costs low while still providing the services the School District citizens expect. The District uses a site based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

Capital Assets and Long-Term Obligations

Capital Assets Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

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

	2018	2017
Land	$1,020,916	$1,020,916
Land Improvements	1,404,634	1,550,243
Buildings and Improvements	25,894,516	27,224,428
Furniture, Equipment and Fixtures	1,015,033	1,199,024
Vehicles	278,674	385,916
Total	$29,613,773	$31,380,527

The overall decrease in capital assets of $1,766,754 is due to current year depreciation of $1,798,149 exceeding capital outlays of $31,395.

Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2018, this set aside amounted to $297,151. See Note 9 to the basic financial statements for additional information on the District capital assets and Note 14 for additional information regarding required set-asides.

Long-Term Obligations

Table 5 summarizes the District's outstanding debt for fiscal year 2018 compared to fiscal year 2017:

(Table 5)
Outstanding Long-Term Obligations

	2018	(Restated) 2017	Change
Classroom Facilities Improvement Refunding Bonds-2010	$0	$2,795,000	$2,795,000
Unamortized Premium	0	104,782	104,782
Classroom Facilities Improvement Refunding Bonds-2017	2,430,000	0	(2,430,000)
Energy Conservation Term Bonds	920,000	1,035,000	115,000
Compensated Absences	1,145,485	1,127,188	(18,297)
Net Pension Liability	21,806,708	28,738,395	6,931,687
Net OPEB Liability	4,911,973	6,090,416	1,178,443
Totals	$31,214,166	$39,890,781	$8,676,615

2010 Classroom Facilities Improvement Refunding general obligation bonds were retired by the issuance of 2017 Classroom Facilities Improvement Refunding bonds during fiscal year 2018.

Additional information concerning debt issuances can be found in note 15 to the basic financial statements.

Challenges and Opportunities

Conneaut Area City School District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. Recent national events and their impact on the District and the surrounding area are very much under review and analysis. Economic recession has had a major impact on our industries. We have limited local industry, but we are a much diversified community with many residents working outside our District in varying types of employment.

The District is not without its share of challenges. The need for additional funds for operations is seen as the newest challenge for the District the last couple fiscal years. The passage of a five (5) year Emergency Levy in May of 2017 demonstrates community support but the District continues to consider the value that each expenditure will provide. Another example is seen in low interest rates being very good for issuing debt, but not attractive for maintaining investment revenues. This is evident from the very small amount of interest revenue during fiscal year 2018. And finally, actions of local and state governments continue to impact the District. Like many school districts in the State of Ohio, the District remains vigilant to financially meet the academic needs of all of the students as well as remain cost efficient in its operations.

As a result of the challenges mentioned, it is imperative the District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years. All of the District's financial abilities will be needed to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Jackie Miranda, Treasurer/CFO, at Conneaut Area City School District, 230 Gateway Avenue, Suite B, Conneaut, Ohio 44030 or email at JMiranda@cacsk12.org.

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Conneaut Area City School District

Ashtabula County, Ohio

Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$6,714,902
Accounts Receivable	73,093
Intergovernmental Receivable	68,327
Property Taxes Receivable	6,095,176
Materials and Supplies Inventory	35,808
Nondepreciable Capital Assets	1,020,916
Depreciable Capital Assets, Net	28,592,857
Total Assets	42,601,079
Deferred Outflows of Resources	
Pension	7,162,464
Other Postemployment Benefits	200,759
Total Deferred Outflows of Resources	7,363,223
Liabilities	
Accounts Payable	55,268
Accrued Wages and Benefits Payable	1,428,055
Intergovernmental Payable	519,973
Matured Compensated Absences Payable	6,621
Accrued Interest Payable	3,471
Long-Term Liabilities:	
Due Within One Year	574,863
Due In More Than One Year:	
Net Pension Liability	21,806,708
Other Postemployment Benefits Liability	4,911,973
Other Amounts Due in More than One Year	3,920,622
Total Liabilities	33,227,554
Deferred Inflows of Resources	
Property Taxes	4,869,802
Pension	888,787
Other Postemployment Benefits	555,852
Total Deferred Inflows of Resources	6,314,441
Net Position	
Net Investment in Capital Assets	26,263,773
Restricted for:	
Capital Projects	690,935
Debt Service	1,417,759
Other Purposes	692,062
Unrestricted (Deficit)	(18,642,222)
Total Net Position	$10,422,307

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	$3,130,394	$408,935	$251,136	$0	($2,470,323)
Special	1,509,951	193,544	1,059,556	0	(256,851)
Vocational	17,220	0	0	0	(17,220)
Other	1,809,283	0	110	0	(1,809,173)
Support Services:					
Pupils	481,409	0	206,486	0	(274,923)
Instructional Staff	440,139	0	153,720	0	(286,419)
Board of Education	20,920	0	0	0	(20,920)
Administration	921,738	0	105,751	0	(815,987)
Fiscal	480,303	0	0	0	(480,303)
Operation and Maintenance of Plant	1,665,424	0	0	0	(1,665,424)
Pupil Transportation	920,107	0	0	0	(920,107)
Central	377,615	0	0	0	(377,615)
Operation of Non-Instructional Services	639,562	105,751	547,657	0	13,846
Extracurricular Activities	434,654	100,497	8,948	90,421	(234,788)
Interest and Fiscal Charges	73,214	0	0	0	(73,214)
Total Governmental Activities	$12,921,933	$808,727	$2,333,364	$90,421	(9,689,421)

General Revenues	
Property Taxes Levied for:	
General Purposes	4,661,384
Debt Service	193,594
Capital Outlay	206,343
Other Purposes	68,781
Grants and Entitlements not Restricted to Specific Programs	12,257,678
Investment Earnings	90,504
Miscellaneous	71,366
Total General Revenues	17,549,650
Change in Net Position	7,860,229
Net Position Beginning of Year - Restated (See Note 3)	2,562,078
Net Position End of Year	$10,422,307

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$3,781,164	$1,405,463	$1,234,080	$6,420,707
Restricted Assets:				
Cash and Cash Equivalents	0	0	294,195	294,195
Accounts Receivable	73,093	0	0	73,093
Interfund Receivable	21,232	0	0	21,232
Intergovernmental Receivable	491	0	67,836	68,327
Property Taxes Receivable	5,547,013	220,823	327,340	6,095,176
Materials and Supplies Inventory	35,808	0	0	35,808
Total Assets	$9,458,801	$1,626,286	$1,923,451	$13,008,538
Liabilities				
Accounts Payable	$53,068	$0	$2,200	$55,268
Accrued Wages and Benefits Payable	1,291,738	0	136,317	1,428,055
Intergovernmental Payable	480,806	0	39,167	519,973
Matured Compensated Absences Payable	6,621	0	0	6,621
Interfund Payable	0	0	21,232	21,232
Total Liabilities	1,832,233	0	198,916	2,031,149
Deferred Inflows of Resources				
Property Taxes	4,428,087	178,405	263,310	4,869,802
Unavailable Revenue - Property Taxes	338,649	13,020	19,729	371,398
Total Deferred Inflows of Resources	4,766,736	191,425	283,039	5,241,200
Fund Balances				
Nonspendable	35,808	0	0	35,808
Restricted	0	1,434,861	1,496,003	2,930,864
Committed	50,000	0	0	50,000
Assigned	365,088	0	0	365,088
Unassigned (Deficit)	2,408,936	0	(54,507)	2,354,429
Total Fund Balances	2,859,832	1,434,861	1,441,496	5,736,189
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$9,458,801	$1,626,286	$1,923,451	$13,008,538

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$5,736,189
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.		29,613,773
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes		371,398
The net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred Outflows - Pension	7,162,464	
Deferred Inflows - Pension	(888,787)	
Net Pension Liability	(21,806,708)	
Deferred Outflows - OPEB	200,759	
Deferred Inflows - OPEB	(555,852)	
OPEB Liability	(4,911,973)	
Total		(20,800,097)
In the statement of activities, interest is accrued on outstanding general obligation bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(3,471)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(2,430,000)	
Energy Conservation Bond	(920,000)	
Compensated Absences	(1,145,485)	
Total		(4,495,485)
Net Position of Governmental Activities		$10,422,307

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$4,603,331	$204,511	$275,664	$5,083,506
Tuition and Fees	602,735	0	0	602,735
Interest	89,426	0	1,078	90,504
Charges for Services	0	0	105,751	105,751
Extracurricular Activities	0	0	100,241	100,241
Contributions and Donations	10,548	0	90,421	100,969
Intergovernmental	12,118,686	39,503	2,422,305	14,580,494
Miscellaneous	69,669	0	1,697	71,366
Total Revenues	17,494,395	244,014	2,997,157	20,735,566
Expenditures				
Current:				
Instruction:				
Regular	6,759,368	0	315,716	7,075,084
Special	2,272,523	0	1,008,663	3,281,186
Vocational	116,807	0	0	116,807
Other	1,809,175	0	108	1,809,283
Support Services:				
Pupils	660,091	0	196,010	856,101
Instructional Staff	181,384	0	279,274	460,658
Board of Education	20,920	0	0	20,920
Administration	1,528,304	0	97,989	1,626,293
Fiscal	497,680	5,180	12,744	515,604
Operation and Maintenance of Plant	1,559,467	0	183,438	1,742,905
Pupil Transportation	911,680	0	0	911,680
Central	406,255	0	49	406,304
Operation of Non-Instructional/Food Services	0	0	626,111	626,111
Extracurricular Activities	278,369	0	124,483	402,852
Capital Outlay	8,831	0	22,564	31,395
Debt Service:				
Principal Retirement	115,000	365,000	0	480,000
Interest and Fiscal Charges	5,879	34,237	0	40,116
Bond Issuance Costs	0	88,584	0	88,584
Total Expenditures	17,131,733	493,001	2,867,149	20,491,883
Excess of Revenues Over (Under) Expenditures	362,662	(248,987)	130,008	243,683
Other Financing Sources (Uses)				
Proceeds of Refunding Bonds	0	2,430,000	0	2,430,000
Payment to Refunded Bond Escrow Agent	0	(2,430,000)	0	(2,430,000)
Transfers In	0	0	17,000	17,000
Transfers Out	(17,000)	0	0	(17,000)
Total Other Financing Sources (Uses)	(17,000)	0	17,000	0
Net Change in Fund Balances	345,662	(248,987)	147,008	243,683
Fund Balance Beginning of Year	2,514,170	1,683,848	1,294,488	5,492,506
Fund Balance End of Year	$2,859,832	$1,434,861	$1,441,496	$5,736,189

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$243,683
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 depreciation exceeded capital outlay in the current period.		
Capital Outlay	31,395	
Current Year Depreciation	(1,798,149)	
Total		(1,766,754)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes		46,596
Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.		
General Obligation Refunding Bonds Issued	(2,430,000)	
Payment to Refunded Bond Escrow Agent	2,430,000	
Total		0
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.		480,000
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.		
Accrued Interest on Bonds & Loans	4,730	
Amortization of Bond Premiums	16,198	
Refunded Bond Premiums	88,584	
Amortization of Deferred Charge on Refunding	(7,727)	
Refunded Deferred Charge on Refunding	(46,299)	
Total		55,486
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,391,787	
OPEB	37,385	
Total		1,429,172
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	6,646,027	
OPEB	744,316	
Total		7,390,343
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(18,297)
Change in Net Position of Governmental Activities		$7,860,229

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$4,911,000	$4,911,000	$4,761,738	($149,262)
Tuition and Fees	550,273	550,273	602,479	52,206
Interest	45,000	45,000	89,426	44,426
Contributions and Donations	0	0	1,600	1,600
Intergovernmental	12,054,478	12,054,478	12,120,849	66,371
Miscellaneous	15,110	15,110	25,868	10,758
Total Revenues	17,575,861	17,575,861	17,601,960	26,099
Expenditures				
Current:				
Instruction:				
Regular	6,840,436	7,140,393	6,711,413	428,980
Special	2,342,989	2,440,955	2,253,242	187,713
Vocational	116,027	121,126	116,109	5,017
Other	1,802,814	1,752,599	1,809,175	(56,576)
Support Services:				
Pupils	636,392	663,667	708,397	(44,730)
Instructional Staff	180,420	187,835	194,713	(6,878)
Board of Education	32,856	34,300	20,874	13,426
Administration	1,549,457	1,584,942	1,557,602	27,340
Fiscal	479,022	497,524	501,861	(4,337)
Operation and Maintenance of Plant	1,901,059	1,931,727	1,789,047	142,680
Pupil Transportation	959,644	978,356	915,514	62,842
Central	580,930	597,723	470,842	126,881
Extracurricular Activities	281,091	293,446	281,131	12,315
Debt Service:				
Principal Retirement	110,158	115,000	115,000	0
Interest and Fiscal Charges	6,514	6,800	5,879	921
Total Expenditures	17,819,809	18,346,393	17,450,799	895,594
Excess of Revenues Over (Under) Expenditures	(243,948)	(770,532)	151,161	921,693
Other Financing Sources (Uses)				
Refund of Prior Year Expenditure	41,807	41,807	67,971	26,164
Advances In	0	0	175,515	175,515
Advances Out	(175,000)	(175,000)	(18,300)	156,700
Transfers Out	(33,575)	(33,575)	(67,000)	(33,425)
Total Other Financing Sources (Uses)	(166,768)	(166,768)	158,186	324,954
Net Change in Fund Balance	(410,716)	(937,300)	309,347	1,246,647
Fund Balance Beginning of Year	2,757,860	2,757,860	2,757,860	0
Prior Year Encumbrances Appropriated	245,801	245,801	245,801	0
Fund Balance End of Year	$2,592,945	$2,066,361	$3,313,008	$1,246,647

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Statement of Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	
	Scholarship	Agency
Current Assets		
Equity in Pooled Cash and Cash Equivalents	$79,990	$49,214
Current Liabilities		
Due to Students	0	$49,214
Net Position		
Held in Trust for Scholarships	$79,990	

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Statement of Changes in Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

	Scholarship
Additions	
Interest	$1,187
Deductions	
Scholarships Awarded	750
Change in Net Position	437
Net Position Beginning of Year	79,553
Net Position End of Year	$79,990

See accompanying notes to the basic financial statements

Note 1 – Description of the School District and Reporting Entity

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

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 58 square miles. It is located in Ashtabula County. It is staffed by 81 non-certified employees and 120 certified full-time teaching and administrative personnel who provide services to 1,718 students and other community members. The District currently operates four instructional buildings, a maintenance building, athletic complex and a bus garage.

Reporting Entity

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

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

The District is associated with two jointly governed organizations and a risk sharing pool. These organizations are the Ashtabula County Technical & Career Center, the Northeast Ohio Management Information Network and the Ashtabula County Schools Council of Governments, which are presented in Notes 17 and 18 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

> ***General Fund*** - The General Fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Bond Retirement Fund*** - The bond retirement fund accounts for and reports property tax revenues that are restricted for the payment of principal and interest and fiscal charges on general obligation debt.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted, committed or assigned to a particular purpose.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust, investment trust, private-purpose trust and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust fund which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Measurement Focus

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue 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 values, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding, pension and OPEB reported in the government-wide statement of net position. 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 are explained in Notes 12 and 13.

In addition to liabilities, the statements of net position and balance sheets 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 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 the 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 District unavailable revenue includes 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 of statement of net position (see Notes 12 and 13).

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

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets 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 object level for the general fund and at the fund level for all other funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds, except the general fund, without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the 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 passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents." During the fiscal year, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

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

Under existing Ohio statutes the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $89,426, which includes $42,225 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

The School District's only capital assets 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. The District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is three thousand dollars for the current fiscal year. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	5 - 10 years
Buildings and Improvements	20 - 50 years
Furniture, Equipment and Fixtures	8 - 20 years
Vehicles	10 years
Textbooks	6 years

I. Interfund Balances

On the 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 columns of the statement of net position.

J. Internal Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

K. Compensated Absences

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

District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

L. 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, 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. Bonds are recognized as a liability in the fund financial statements when due. 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.

M. Fund Balance

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

> ***Nonspendable*** 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 District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 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 the District Board of Education.

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

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

N. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The net position held in trust for scholarships signify the legal restrictions on the use of principal.

O. ***Deferred Amount (Loss) on Refunding***

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

P. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued.

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

R. Estimates

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

Note 3 – Change in Accounting Principle & Restatement of Prior Year Net Position

A. Change in Accounting Principles

For fiscal year 2018, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 81, "Irrevocable Split-Interest Agreements", Statement No. 85, "Omnibus 2017", and GASB Statement No. 86, "Certain Debt Extinguishment Issues".

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The implementation of GASB Statement 75 resulted in an overall restatement of beginning net position, as previously reported (see below).

GASB Statement No. 81 aims 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. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts-or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB). The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 aims 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 District incorporated the corresponding GASB 86 guidance into their fiscal year 2018 financial statements; however, there was no effect on beginning net position or fund balance.

B. Restatement of Prior Year Net Position

	Governmental Activities
Net Position at June 30, 2017, as Previously Reported	$8,610,838
Adjustments:	
Net Other Postemployment Benefit (OPEB) Liability	(6,090,416)
Deferred Outflow - District's Contributions Made Subsequent to Measurement Date	41,656
Restated Net Position at June 30, 2017	$2,562,078

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

Note 4 – Fund Deficits

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

Nonmajor Governmental Funds:	Deficit
Food Service	$3,764
Early Childhood Education	8,462
Title I Fund	32,624
Title II-A	4,847
Miscellaneous Federal Grants	4,810

The deficits in the special revenue funds are due to adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

Note 5 – Budgetary Basis of Accounting

While the District is reporting its 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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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

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

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

4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

5. *Certain funds have legally separate adopted budgets (budget basis) but are included in the General Fund (GAAP basis).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds and capital projects funds are considered part of the General fund on a GAAP basis. This includes the public school support and workers' compensation special revenue funds and the Ohio School Facilities reserve capital projects fund.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance	
GAAP Basis	$345,662
Net Adjustment for Revenue Accruals	141,559
Advances In	175,515
Net Adjustment for Expenditure Accruals	(28,665)
Net Adjustment for Funds Budgeted as Special Revenue	54,749
Advances Out	(18,300)
Adjustment for Encumbrances	(334,522)
Budget Basis	$335,998

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories. Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawals on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 held by the School District can be deposited or invested in the following securities:

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

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

3. Written repurchase agreements in the securities listed above;

4. Bonds and other obligations of the State of Ohio or Ohio local government;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;

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

8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk 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 possession of an outside party. At June 30th, the carrying amount of all District deposits was $262,289, while $161,530 of the District's bank balance of $640,675 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

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

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

Investments

As of June 30, 2018, the District had STAR Ohio as the only investment with an amount of $6,581,817 and an average maturity less than six months.

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

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

Credit Risk 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 District has no investment policy that addresses credit risk.

Concentration of Credit Risk The School District places no limit on the account it may invest in any one issuer. At June 30, 2018, STAR Ohio represented 100 percent of all District investments.

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of June 30, 2018:

Cash and Investments per Note Disclosure	
Carrying amount of deposits	$262,289
Investments	6,581,817
Total	$6,844,106
Cash and Cash Equivalents per Statement of Net Position	
Governmental activities	$6,714,902
Private-purpose trust funds	79,990
Agency funds	49,214
Total	$6,844,106

Note 7 – Fund Balances

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental	Total
Nonspendable				
Inventory	$35,808	$0	$0	$35,808
Restricted for				
Classroom Maintenance	0	0	424,623	424,623
Other Grants	0	0	304,778	304,778
Debt Service Payments	0	1,434,861	0	1,434,861
Capital Improvements	0	0	676,138	676,138
Other Purposes	0	0	90,464	90,464
Total Restricted	0	1,434,861	1,496,003	2,930,864
Committed to				
Employee Retirements	50,000	0	0	50,000
Assigned to				
Other Purposes	83,634	0	0	83,634
Encumbrances	281,454	0	0	281,454
Total Assigned	365,088	0	0	365,088
Unassigned (Deficit)	2,408,936	0	(54,507)	2,354,429
Total Fund Balances	$2,859,832	$1,434,861	$1,441,496	$5,736,189

Note 8 – 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 property and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represent 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 thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 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 thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

The amount available as an advance at June 30, 2018 was $780,277 in the general fund, $29,398 in the bond retirement fund, $33,226 in the permanent improvement capital projects fund and $11,075 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2017, was $938,684 in the general fund, $77,954 in the bond retirement fund, $51,600 in the permanent improvement capital projects fund and $17,200 in the classroom facilities maintenance special revenue fund.

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

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

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$207,350,810	95.7%	$207,350,810	95.7%
Public Utility Personal	9,418,060	4.3%	9,418,060	4.3%
	$216,768,870	100.0%	$216,768,870	100.0%
Tax Rate per $1,000 of assessed valuation	$36.39		$36.39	

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
Capital Assets, not being depreciated:				
Land	$1,020,916	$0	$0	$1,020,916
Capital Assets, being depreciated:				
Land Improvements	2,848,697	0	0	2,848,697
Buildings and Improvements	47,260,630	0	0	47,260,630
Furniture, Equipment and Fixtures	3,294,262	31,395	0	3,325,657
Vehicles	1,813,689	0	0	1,813,689
Textbooks	1,107,757	0	0	1,107,757
Total Capital Assets, being depreciated	56,325,035	31,395	0	56,356,430
Less Accumulated Depreciation:				
Land Improvements	(1,298,454)	(145,609)	0	(1,444,063)
Building and Improvements	(20,036,202)	(1,329,912)	0	(21,366,114)
Furniture, Equipment and Fixtures	(2,095,238)	(215,386)	0	(2,310,624)
Vehicles	(1,427,773)	(107,242)	0	(1,535,015)
Textbooks	(1,107,757)	0	0	(1,107,757)
Total Accumulated Depreciation	(25,965,424)	(1,798,149) *	0	(27,763,573)
Total Capital Assets being depreciated, net	30,359,611	(1,766,754)	0	28,592,857

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$1,492,065
Special	6,631
Vocational	2,063
Support Services:	
Pupil	1,308
Instructional Staff	94,745
Administration	1,968
Operation and Maintenance of Plant	37,132
Pupil Transportation	97,949
Central	378
Operation of Non-Instructional/Food Services	29,427
Extracurricular Activities	34,483
Total Depreciation Expense	$1,798,149

Note 10 – Receivables

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

A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Medicaid Reimbursement	$491
Non-major Governmental Funds:	
Public School Preschool Grant	11,386
Title I Grant	49,207
Early Childhood Special Education	5
Title II-A	7,238
Total Intergovernmental Receivable	$68,327

Note 11 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and the Treasurer earn ten to thirty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified employees is 315 days, and for classified employees it is 320 days. For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay is entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 70 days for classified employees and for certified employees.

Insurance

Life insurance is offered to employees through Minnesota Life Insurance Company. Certified and classified employees are covered for $40,000 with payments of $4.20 per month. The superintendent is covered for $150,000 with payments of $15.75 per month. The treasurer is covered for $100,000 with payments of $10.50 per month.

Health Insurance Benefits

The District provides employee medical and surgical insurance, prescription drug, dental, and vision insurance through the Ashtabula County Schools Council of Governments.

Note 12 – Defined Benefit Pension Plans

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

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

GASB 68 assumes the liability is solely the obligation of 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. A 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.

B. School Employees Retirement System

Plan Description - District non-teaching employees participate in the School Employees Retirement System (SERS), a statewide, cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. 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 on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 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 three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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 fiscal year ending June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. .5 percent of the 14 percent employer contribution was allocated to the Health Care Fund for fiscal year 2018. The District's contractually required contribution to SERS was $321,467 for the fiscal year ended June 30, 2018. Of this amount $219,300 was reported as an intergovernmental payable.

C. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until

August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018 and subsequent years, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The District's contractually required contribution to STRS was $1,070,320 for the fiscal year ended June 30, 2018. Of this amount $188,508 was reported as an intergovernmental payable.

D. 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 Districts proportion of the net pension liability was based on the Districts share of contributions to the pension plan relative to the projected 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	0.07689960%	0.06904085%	
Proportion of the Net Pension Liability Current Measurement Date	0.07657510%	0.07253782%	
Change in Proportionate Share	-0.00032450%	0.00349697%	
Proportionate Share of the Net Pension Liability	$4,575,193	$17,231,515	$21,806,708
Pension Expense	($123,584)	($6,522,443)	($6,646,027)

At June 30, 2018, the 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	$196,901	$665,398	$862,299
Change of Assumptions	236,588	3,768,722	4,005,310
Change in Proportionate Share	82,220	820,848	903,068
District contributions subsequent to the measurement date	321,467	1,070,320	1,391,787
Total Deferred Outflows of Resources	$837,176	$6,325,288	$7,162,464
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$138,879	$138,879
Net difference between projected and actual earnings on pension plan investments	21,715	568,660	590,375
Change in Proportionate Share	18,030	141,503	159,533
Total Deferred Inflows of Resources	$39,745	$849,042	$888,787

$1,391,787 reported as deferred outflows of resources related to pension resulting from 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	$223,371	$915,313	$1,138,684
2020	295,410	1,688,887	1,984,297
2021	63,840	1,295,486	1,359,326
2022	(106,657)	506,240	399,583
Total	$475,964	$4,405,926	$4,881,890

Actuarial Assumptions - SERS

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

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

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

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

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 Year Period Ended June 30, 2015
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
COLA or Ad hoc COLA	2.50 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
Wage Inflation	3.00 Percent

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. 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 Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the 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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net Pension Liability	$6,349,179	$4,575,193	$3,089,118

Actuarial Assumptions - STRS

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

Inflation	2.50 Percent
Salary Increases	12.50 Percent at Age 20 to 2.50 Percent at Age 65
Investment Rate of Return	7.45 Percent, Net of Investment Expenses, Including Inflation
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent, Effective July 1, 2017

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

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

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 Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Fixed Income	21.00	3.00
Alternatives	17.00	7.09
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.45 %

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's Proportionate Share of the Net Pension Liability	$24,700,790	$17,231,515	$10,939,770

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

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

E. Social Security System

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

Note 13 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. The net OPEB liability has been disclosed below.

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 have already occurred.

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 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.

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 District's contractually required contribution to SERS was $37,385 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Current Measurement Date	0.07757150%	0.07253782%	
Proportionate Share of the Net OPEB Liability	$2,081,815	$2,830,158	$4,911,973
OPEB Expense	$119,294	($863,610)	($744,316)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$163,374	$163,374
District contributions subsequent to the measurement date	37,385	0	37,385
Total Deferred Outflows of Resources	$37,385	$163,374	$200,759
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$5,498	$120,968	126,466
Change of Assumptions	197,554	227,979	425,533
Change in Proportionate Share	3,853	0	3,853
Total Deferred Inflows of Resources	$206,905	$348,947	$555,852

$37,385 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($74,347)	($41,009)	($115,356)
2020	(74,347)	(41,009)	(115,356)
2021	(56,835)	(41,009)	(97,844)
2022	(1,376)	(41,008)	(42,384)
2023	0	(10,769)	(10,769)
Thereafter	0	(10,769)	(10,769)
Total	($206,905)	($185,573)	($392,478)

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

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

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

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

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

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

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

Sensitivity of the 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%)
District's proportionate share of the net OPEB liability	$2,514,057	$2,081,815	$1,739,369

	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 %)
District's proportionate share of the net OPEB liability	$1,689,237	$2,081,815	$2,601,399

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.

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.

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 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%)
District's proportionate share of the net OPEB liability	$3,799,442	$2,830,158	$2,064,107

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$1,966,273	$2,830,158	$3,967,133

Note 14 – Set Asides

The 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 year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Restricted Balance as of June 30, 2017	$0
Current Year Set-Aside Requirement	297,151
Qualifying Disbursements	0
Current Year Offsets	(399,652)
Total	($102,501)
Set-Aside Balance Carried Forward to Future Fiscal Years	$0
Cash balance as of June 30, 2018	$0

Although the District had qualifying disbursements and 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 for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 15 – Long-Term Obligations

Original issue amounts and interest rates of the District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2011 Classroom Facilities Improvement Refunding Bonds:			
Capital Interest Serial Bonds	1.00% to 4.00%	$4,535,000	2023
Capital Appreciation Bonds	4.00%	94,999	2016
2017 Classroom Facilities Improvement Refunding Bonds	3.00% to 4.00%	2,430,000	2023
Energy Conservation Improvement Bonds:			
Current Issue Term Bonds	5.15%	1,712,161	2023

A summary of changes in long-term obligations for the year ended June 30, 2018, were as follows:

	Principal Outstanding 6/30/17	Additions	Deductions/ Refunded	Principal Outstanding 6/30/18	Amounts due in One Year
General Obligation Bonds:					
2010 Classroom Facilities Improvement Refunding Bonds:					
Serial Bonds	$2,795,000	$0	($2,795,000)	$0	$0
Premium	104,782	0	(104,782)	0	0
Total 2010 Classroom Facilities Improvement Refunding Bonds	2,899,782	0	(2,899,782)	0	0
2017 Classroom Facilities Improvement Refunding Bonds	0	2,430,000	0	2,430,000	380,000
Energy Conservation Improvement Bonds	1,035,000	0	(115,000)	920,000	115,000
Total General Obligation Bonds	3,934,782	2,430,000	(3,014,782)	3,350,000	495,000
Other Long-Term Obligations:					
Compensated Absences	1,127,188	117,976	(99,679)	1,145,485	79,863
Total Before Net Pension & OPEB Liability	5,061,970	2,547,976	(3,114,461)	4,495,485	574,863
Net Pension Liability:					
STRS	23,110,054	0	(5,878,539)	17,231,515	0
SERS	5,628,341	0	(1,053,148)	4,575,193	0
Total Net Pension Liability	28,738,395	0	(6,931,687)	21,806,708	0
Net OPEB Liability:					
STRS	3,879,341	0	(1,049,183)	2,830,158	0
SERS	2,211,075	0	(129,260)	2,081,815	0
Total Net OPEB Liability	6,090,416	0	(1,178,443)	4,911,973	0
Total Long-Term Obligations	$39,890,781	$2,547,976	($11,224,591)	$31,214,166	$574,863

On July 20, 2010, the District issued $4,629,999 in general obligation bonds to refund the classroom facilities improvement bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of $4,535,000 and $94,999, respectively. The bonds were issued for a fourteen year period with a final maturity at December 1, 2023. The outstanding bond liability was currently refunded in fiscal year 2018.

The bonds were sold at a premium of $216,279. Proceeds of $4,741,516 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2018, $2,495,000 of the defeased bonds are still outstanding.

On September 6, 2017, the District issued $2,430,000 in general obligation bonds to refund the 2010 classroom facilities improvement refunding bonds in order to take advantage of lower interest rates. The bonds included term bonds in the amount of $2,430,000 and were issued for a six year period with a final maturity at December 1, 2023. The outstanding bond liability was retired in full from the debt service fund.

On September 1, 2010, the District issued $1,712,161 in Energy Conservation Improvement bonds for the installation, modification, and remodeling of school buildings to conserve energy. The bonds are term bonds, have a final maturity date of December 1, 2025 and will be paid from the debt service fund. These bonds were Qualified School Construction Bonds (QSCBs) in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds are Direct Payment QSCBs.

The term bonds are subject to mandatory sinking fund redemption requirements on December 1 in the years and in the principal amounts as follows:

Year	Amount
2018	$115,000
2019	115,000
2020	115,000
2021	115,000
2022	115,000
2023	115,000
2024	115,000
	$805,000

The remaining principal amount of the term bonds ($920,000) will mature at the stated maturity on December 1, 2025.

Compensated absences will be paid from the general fund and the food service, early childhood education, title VI-B, title I, classroom reduction and miscellaneous federal grants special revenue funds.

There is no repayment schedule for the net pension liability and net OPEB liability. For additional information related to the net pension liability and net OPEB liability see Notes 12 and 13.

The District's overall legal debt margin was $17,567,408 with an unvoted debt margin of $216,769 at June 30, 2018.

Principal and interest requirements to retire general obligation bonds follow:

Fiscal Year	Classroom Facilities Refunding Bonds - 2017 Principal	Interest	Energy Conservation Improvement Bonds Principal	Interest
2019	$380,000	$36,697	$115,000	$44,419
2020	395,000	31,557	115,000	38,496
2021	405,000	25,654	115,000	32,574
2022	410,000	19,030	115,000	26,651
2023	415,000	11,810	115,000	20,729
2024-2026	425,000	4,038	345,000	26,652
Total	$2,430,000	$128,786	$920,000	$189,521

Note 16 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with Schools of Ohio Risk Sharing Authority for various types of insurance. Coverage is as follows:

Coverage	Amount
Buildings and Business Property ($2,500 Deductible)	$93,840,671
Equipment Breakdown ($2,500 Deductible)	93,840,671
Crime Coverage ($1,000 Deductible)	100,000
Educator's Legal Liability ($5,000 Deductible/Per Occurrence)	1,000,000
Automobile Liability ($0 Deductible, $1,000,000 limit)	10,000,000
General Liability ($0 Deductible, $1,000,000 limit)	10,000,000

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

Employee Medical Benefits

The District participates in the Ashtabula County Schools Council of Governments, a shared risk pool (Note 17) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. Certified employees pay monthly premiums in the amount of $192 for family and $74 for single coverage. Classified employees pay monthly premiums of $87 for family and $34 for single benefits.

Workers' Compensation

For fiscal year 2018, workers' compensation coverage is provided by the State of Ohio. The 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 17 – Jointly Governed Organizations

Ashtabula County Technical & Career Center The Ashtabula County Career & Technical Center (A-Tech) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The A-Tech is operated under the direction of a Board consisting of one representative from each of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District did not make any contributions in fiscal year 2018. Financial information can be obtained from Lindsey Elly, Treasurer at Ashtabula County Technical & Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among various school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Service Centers. Each of the districts support NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Note 18 – Public Entity Risk Pool

The District has contracted with the Ashtabula County Schools Council of Governments ("the Council") to provide employee medical/surgical, prescription drug, dental and vision benefits. The Council is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County School districts. Rates are set by the Council's board of directors. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Council is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the District. The Council shall pay the run out claims for a withdrawing member. Any member which withdraws from the Council pursuant to the Council Agreement shall have no claim to the Council's assets.

Note 19 – Contingencies

A. Grants

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

B. Litigation

The District is not party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2018, which would have a significant effect on the financial statements.

C. School District Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by Schools throughout the State, which can extend past the fiscal year end. ODE has finalized the impact of enrollment adjustments to the June 30, 2018 foundation funding for the School District and as a result, a receivable to and a liability of the School District has not been recorded.

Note 20 – Tax Abatements

As of June 30, 2018, the District provides tax abatements through an Enterprise Zone (Ezone). This program relates to the abatement of property taxes.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investments. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the City. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of tax abated was not significant for the District.

Conneaut Area City School District
Ashtabula County, Ohio

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07657510%	0.07689960%	0.07448520%	0.07333000%	0.07333000%
School District's Proportionate Share of the Net Pension Liability	$4,575,193	$5,628,341	$4,250,198	$3,711,190	$4,360,700
School District's Employee Payroll	$2,533,957	$2,426,614	$2,263,407	$2,113,403	$2,030,394
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	180.56%	231.94%	187.78%	175.60%	214.77%
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.

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

See accompanying notes to the required supplementary information

Conneaut Area City School District
Ashtabula County, Ohio

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.072537820%	0.069040850%	0.069277630%	0.070157210%	0.070157210%
School District's Proportionate Share of the Net Pension Liability	$17,231,515	$23,110,054	$19,146,311	$17,064,661	$20,327,313
School District's Employee Payroll	$7,974,643	$7,364,580	$7,168,129	$7,323,310	$7,397,112
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	216.08%	313.80%	267.10%	233.02%	274.80%
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.

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

See accompanying notes to the required supplementary information

Conneaut Area City School District
Ashtabula County, Ohio

Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	2018	2017	2016	2015
Contractually Required Pension Contribution (1)	$321,467	$354,754	$339,726	$298,317
Pension Contributions in Relation to the Contractually Required Contribution	($321,467)	($354,754)	($339,726)	($298,317)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Employee Payroll	$2,296,193	$2,533,957	$2,426,614	$2,263,407
Contributions as a Percentage of Employee Payroll	13.50%	14.00%	14.00%	13.18%

(1) includes surcharge

See accompanying notes to the required supplementary information and amounts presented in Note 12

2014	2013	2012	2011	2010	2009
$292,918	$281,007	$279,485	$265,541	$291,506	$244,364
($292,918)	($281,007)	($279,485)	($265,541)	($291,506)	($244,364)
$0	$0	$0	$0	$0	$0
$2,113,403	$2,030,394	$2,077,955	$2,112,498	$2,152,925	$2,483,374
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

Conneaut Area City School District
Ashtabula County, Ohio

Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years

	2018	2017	2016	2015
Contractually Required Pension Contribution	$1,070,320	$1,116,450	$1,031,041	$1,003,538
Pension Contributions in Relation to the Contractually Required Contribution	($1,070,320)	($1,116,450)	($1,031,041)	($1,003,538)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Employee Payroll	$7,645,143	$7,974,643	$7,364,580	$7,168,129
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information and amounts presented in Note 12

2014	2013	2012	2011	2010	2009
$951,900	$961,625	$1,126,970	$1,143,840	$1,081,080	$1,085,975
($951,900)	($961,625)	($1,126,970)	($1,143,840)	($1,081,080)	($1,085,975)
$0	$0	$0	$0	$0	$0
$7,323,310	$7,397,112	$8,669,000	$8,798,769	$8,316,000	$8,353,654
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Conneaut Area City School District

Ashtabula County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio (SERS)
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.07757150%	0.07757150%
School District's Proportionate Share of the Net OPEB Liability	$2,533,957	$2,211,075
School District's Employee Payroll	$2,296,193	$2,426,614
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	110.35%	91.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2016 is not available.

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

See accompanying notes to the required supplementary information

Conneaut Area City School District
Ashtabula County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio (STRS)
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.072537820%	0.072537820%
School District's Proportionate Share of the Net OPEB Liability	$2,830,158	$3,879,341
School District's Employee Payroll	$7,974,643	$7,364,580
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	35.49%	52.68%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2016 is not available.

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

See accompanying notes to the required supplementary information

Conneaut Area City School District
Ashtabula County, Ohio

Required Supplementary Information
Schedule of School District OPEB Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	2018	2017	2016	2015
Contractually Required OPEB Contributions	$37,385	$41,656	$38,599	$61,965
OPEB Contributions in Relation to the Contractually Required Contribution	($37,385)	($41,656)	($38,599)	($61,965)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Employee Payroll	$2,296,193	$2,533,957	$2,426,614	$2,263,407
Contributions as a Percentage of Employee Payroll	1.63%	1.64%	1.59%	2.74%

See accompanying notes to the required supplementary information and amounts presented in Note 13

2014	2013	2012	2011	2010	2009
$39,511	$34,151	$59,588	$49,241	$80,774	$83,537
($39,511)	($34,151)	($59,588)	($49,241)	($80,774)	($83,537)
$0	$0	$0	$0	$0	$0
$2,113,403	$2,030,394	$2,077,955	$2,112,498	$2,152,925	$2,483,374
1.87%	1.68%	2.87%	2.33%	3.75%	3.36%

Conneaut Area City School District
Ashtabula County, Ohio

Required Supplementary Information
Schedule of School District OPEB Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years

	2018	2017	2016	2015
Contractually Required OPEB Contributions	$0	$0	$0	$0
OPEB Contributions in Relation to the Contractually Required Contribution	$0	$0	$0	$0
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Employee Payroll	$7,645,143	$7,974,643	$7,364,580	$7,168,129
Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information and amounts presented in Note 13

2014	2013	2012	2011	2010	2009
$73,233	$73,971	$86,690	$87,988	$83,160	$83,537
($73,233)	($73,971)	($86,690)	($87,988)	($83,160)	($83,537)
$0	$0	$0	$0	$0	$0
$7,323,310	$7,397,112	$8,669,000	$8,798,769	$8,316,000	$8,353,654
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2016. 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 to 3.0% from 3.25%.
b) Payroll growth assumption was reduced to 3.50% from 4.0%.
c) Assumed real wage growth was reduced to 0.50% from 0.75%.
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.
g) Mortality among disabled members 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) The discount rate was reduced to 7.50% from 7.75%.

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date:

a) The long term expected rate of return was reduced to 7.45% from 7.75%.
b) The inflation assumption was lowered to 2.50% from 2.75%.
c) The payroll growth assumption was lowered to 3.0%.
d) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation.
e) The healthy and disabled mortality assumptions were updated 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.

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017 through 2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date:

a) Assumed rate of inflation was reduced to 3.0% from 3.25%.
b) Payroll growth assumption was reduced to 3.50% from 4.0%.
c) Assumed real wage growth was reduced to 0.50% from 0.75%.
d) Rates of withdrawal, retirement, and disability were updated to reflect recent experience.
e) Mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females.
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.
g) Mortality among disabled members was updated to the following: RP-2000 Disabled Mortality
h) Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients to 1.9% from 2.1% 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 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date:

a) The discount rate was increased to 4.13% from 3.26% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB).
b) The long term expected rate of return was reduced to 7.45% from 7.75%.
c) Valuation year per capita health care costs were updated, and the salary scale was modified.
d) 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.
e) The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	2018	102,690
National School Lunch Program	10.555	2018	374,389
Non-Cash Food Commodities	10.555	2018	60,341
Special Milk Program for Children	10.556	2018	2,037
Sub-Total - Child Nutrition Cluster			**539,457**
School Food Equipment	10.579	2018	**12,740**
Total U.S. Department of Agriculture			**552,197**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education:			
Grants to Local Educational Agencies			
Title I School Subsidy	84.010	2017	172,313
		2018	586,316
Sub-Total - Title I			**758,629**
Special Education Cluster:			
Special Education Grants to States - (IDEA Part B)	84.027	2017	125,806
		2018	456,076
Sub-Total - Special Education			**581,882**
Early Childhood Special Education	84.173	2017	(144)
		2018	3,878
Sub-Total - Early Childhood Special Education			**3,734**
Total - Special Education Cluster			**585,616**
Rural Education Grant	84.358	2017	4,939
		2018	19,739
Sub-Total - Rural Education			**24,678**
Title II, Part A - Improving Teacher Quality	84.367	2017	21,099
		2018	82,038
Sub-Total - Title II - Part A			**103,137**
Student Support	84.424	2018	**14,776**
Total U.S Department of Education			**1,486,836**
Totals			**$2,039,033**

The accompanying notes to this schedule are an integral part of this schedule.

CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FISCAL 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 Conneaut Ares City School District (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs 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*

Conneaut Area City School District
Ashtabula County
230 Gateway Avenue, Suite B
Conneaut, Ohio 44030

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Conneaut Area City School District, Ashtabula County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

March 25, 2019

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

Conneaut Area City School District
Ashtabula County
230 Gateway Avenue, Suite B
Conneaut, Ohio 44030

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Conneaut Area City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program 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 25, 2019

CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Nutrition Cluster CFDA #10.553, #10.555 and 10.556
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

CONNEAUT AREA CITY SCHOOL DISTRICT

ASHTABULA 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