AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Aurora City School District
Portage County
102 East Garfield Road
Aurora, Ohio 44202

To the Board of Education

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Aurora City School District, Portage 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, the major fund, and the aggregate remaining fund information of Aurora City School District, Portage County, Ohio, as of June 30, 2018, and the respective changes in financial position 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 19 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 Pension.* We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 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
Auditor of State

Columbus, Ohio

February 25, 2019

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased $21,830,506 from 2017.

- General revenues accounted for $39,142,547 in revenue or 92.8% of all revenues. Program specific revenues in the form of charges for services and operating grants, contributions and interest, and capital grants and contributions accounted for $3,033,584 or 7.2% of total revenues of $42,176,131.

- The School District had $20,345,625 in expenses related to governmental activities; only $3,033,584 of these expenses was offset by program specific revenues. General revenues of $39,142,547 were adequate to provide for these programs.

- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of $15,628,415, an increase of $2,550,889 from the prior fiscal year.

- During the fiscal year the School District entered into a capital lease agreement in the amount of $747,496 for the purchase of five new buses and computers.

- The net pension and net other postemployment benefits (OPEB) liability combined decreased $20,513,337 from 2017. This decrease is mainly due to better than expected investment returns by the public retirement systems.

Using this Annual Financial Report

This annual report consists of a series of financial statements, notes to those statements and the required supplementary information. These statements are organized so the reader can understand the School 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 School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant fund with all other nonmajor funds presented in total in one column. In the case of Aurora City School District, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2018?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the School Districts' activities are considered to be all governmental activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Fund

Fund Financial Statements

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

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2018, the School District had an increase in net position of $21,830,506.

Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities	
	2018	Restated 2017
Assets:		
Current and other assets	$ 43,656,886	$ 37,787,783
Capital assets, net of depreciation	29,873,977	30,550,055
Total assets	73,530,863	68,337,838
Deferred outflows of resources:		
Pension	14,484,844	12,704,025
OPEB	457,993	86,392
Deferred charge on refunding	1,129,337	1,270,755
Total deferred outflows of resources	16,072,174	14,061,172
Liabilities:		
Other liabilities	3,928,330	3,570,400
Long-term liabilities:		
Due within one year	2,152,186	2,074,879
Due in more than one year:		
Net pension liability	46,584,654	64,459,957
Net OPEB liability	10,394,745	13,032,779
Other amounts	23,232,285	24,117,758
Total liabilities	86,292,200	107,255,773
Deferred inflows of resources:		
Property taxes	23,461,499	20,317,152
Pension	1,965,864	32,791
OPEB	1,259,674	-
Total deferred inflows of resources	26,687,037	20,349,943
Net Position:		
Net investment in capital assets	9,495,680	9,196,522
Restricted	2,650,185	2,282,202
Unrestricted	(35,522,065)	(56,685,430)
Total net position	$ (23,376,200)	$ (45,206,706)

Net investment in capital assets reported on the government-wide statements represents a portion of the School District’s total net position. Capital assets include land and land improvements, buildings, furniture and equipment and vehicles used to provide services to students and are not available for future spending. Although the School District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, $2,650,185, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, $1,586,891 or 59.9% is restricted for capital projects; $680,473 or 25.7% is restricted for debt service payment; and another small amount, $382,821 or 14.4%, is restricted for other purposes. The remaining portion of net position happens to be a deficit of $(35,522,065) and is unrestricted.

The net pension liability is the largest single liability reported by the School District at June 30, 2018. 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). 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.

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($32,260,319) to ($45,206,706).

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 $86,392 computed under GASB 45. GASB 45 required recognizing OPEB 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 $1,644,286.

In addition to the negative expense reported for OPEB, the School District is reporting a negative expense in the amount of $14,525,104 for significant changes in the net pension liability for fiscal year 2018.

Table 2 shows the changes in net position for fiscal year 2018 as compared to fiscal year 2017.

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 1,858,219	$ 1,692,916
Operating grants, contributions and interest	1,139,365	1,356,604
Capital grants and contributions	36,000	10,000
General revenues:		
Property taxes	30,100,513	27,161,213
Grants and entitlements	8,635,255	8,900,868
Investment earnings	128,285	75,323
Miscellaneous	278,494	167,661
Total revenues	42,176,131	39,364,585
Program Expenses		
Instruction:		
Regular	5,287,657	17,831,375
Special	2,345,010	4,612,232
Vocational	130,998	193,549
Other	475,411	1,029,029
Support services:		
Pupils	950,520	2,443,410
Instructional staff	1,033,303	1,557,818
Board of education	139,012	151,409
Administration	1,504,489	2,570,512
Fiscal	859,869	928,503
Business	185,104	211,141
Operation and maintenance of plant	2,789,492	3,133,242
Pupil transportation	1,775,739	1,934,886
Central	12,419	3,850
Operation non-instructional services:		
Food service operations	797,610	865,084
Community service	108,481	157,211
Extracurricular activities	919,962	1,344,157
Interest and fiscal charges	1,030,549	1,022,143
Total expenses	20,345,625	39,989,551
Increase in net position	21,830,506	(624,966)
Net position beginning of year	(45,206,706)	(31,635,353)
Restatement	-	(12,946,387)
Net position end of year	$ (23,376,200)	$ (45,206,706)

Governmental Activities

Net position of the School District's governmental activities increased $21,830,506. Total governmental expenses of $20,345,625 were offset by program revenues of $3,033,584 and general revenues of $39,142,547. Program revenues supported 14.9% of the total governmental expenses.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over $30.1 million in 2018. General revenues from grants and entitlements, such as the school foundation program, generated over $8.6 million. With the combination of taxes and intergovernmental funding comprising approximately 91.8% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 shows that the total cost of instructional services was $8,239,076, or 40.5% of all governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils as well as the interaction between teacher and pupil. For fiscal year 2018, the instructional program expenses show a significant decrease due to the decrease in the net pension and net OPEB liabilities.

Pupil service and instructional staff expenses include the activities involved in assisting staff and the content and process of teaching to pupils. Such expenses represent $1,983,283, or 9.7% of total governmental program expenses. This area of program expenses were also significantly impacted with the changes in the net pension and OPEB liabilities.

The board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. Combined, these costs totaled $2,688,474, or 13.2% of all governmental expenses.

Costs associated with the operation and maintenance of plant represent those expenses necessary for the care and upkeep of the School District's buildings, grounds and equipment. Current year expenses of $2,789,492 made up 13.7% of all governmental expenses.

Pupil transportation is related primarily to the activities at the School District's Transportation Center. This amount mainly includes salaries and wages, maintenance, fuel costs and depreciation of related vehicles, equipment and buildings. For 2018, this expense is $1,775,739 or 8.7% of all governmental expenses.

General revenues, primarily taxes and grants and entitlements increased 7.8% from the prior year and expenses decreased 49.1% from the prior year. The increase in general revenues is primarily from an increase in property taxes resulting from the varying amounts available as an advance at year-end which is recognized as revenue. The School District has worked hard to control costs through retirement incentives and other measures. Also, as mentioned above the significant decrease in program expenses is due to the changes in the net pension and net OPEB liabilities for the current fiscal year.

The dependence upon tax revenues for governmental activities is apparent with only 14.9% of governmental expense supported by program revenues.

As a result of implementing the accounting standard for pension and OPEB, the School District is reporting a significant net pension liability, net OPEB liability and related deferred inflows of resources for the fiscal year which have a negative effect on net position. In addition, the School District is reporting deferred outflows of resources and a decrease in expenses related to pension and OPEB, which have a positive impact on net position. The decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the School District's net position, additional information is presented below.

	2018	2017
Deferred outflows - pension	14,484,844	12,704,025
Deferred outflows - OPEB	457,993	86,392
Deferred inflows - pension	(1,965,864)	(32,791)
Deferred inflows - OPEB	(1,259,674)	-
Net pension liability	(46,584,654)	(64,459,957)
Net OPEB liability	(10,394,745)	(13,032,779)
Impact of GASB 68 and GASB 75 on net position	$ (45,262,100)	$ (64,735,110)

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were $43,166,356 and total expenditures and other financing uses were $40,615,467. The total net change in fund balance across all governmental funds was an increase of $2,550,889; the School District continues to be financially stable with a total governmental fund balance of $15,628,415 at year-end.

Table 3 shows fiscal year 2018 fund balances compared to fiscal year 2017.

Table 3
Fund Balances

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase/ (Decrease)	Percent Change
General	$ 13,074,993	$ 10,865,789	$ 2,209,204	20.33%
Other governmental	2,553,422	2,211,737	341,685	15.45%
Total	$ 15,628,415	$ 13,077,526	$ 2,550,889	19.51%

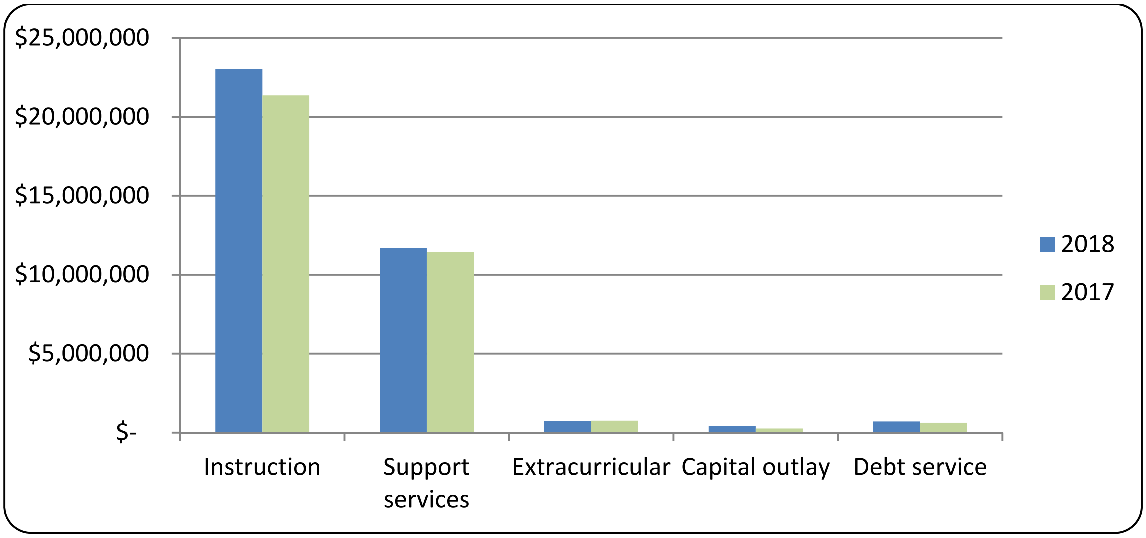
General Fund

The general fund is reporting a fund balance of $13,074,993, an increase of $2,209,204 from 2017.

Table 4
General Fund Changes in Revenues and Expenditures

	2018 Amount	2017 Amount	Increase (Decrease)	Percent Change
Revenues:				
Property taxes	$ 28,082,464	$ 25,013,378	$ 3,069,086	12.27%
Intergovernmental	8,701,619	8,899,183	(197,564)	(2.22%)
Interest	111,538	67,888	43,650	64.30%
Tuition and fees	776,092	724,190	51,902	7.17%
Extracurricular activities	114,706	108,016	6,690	6.19%
All other	329,042	193,408	135,634	70.13%
Total revenues	38,115,461	35,006,063	3,109,398	
Expenditures:				
Current:				
Instruction	23,024,649	21,355,294	1,669,355	7.82%
Support services	11,694,002	11,439,458	254,544	2.23%
Extracurricular	741,906	756,472	(14,566)	(1.93%)
Capital outlay	428,588	260,083	168,505	64.79%
Debt service	709,287	624,114	85,173	13.65%
Total expenditures	36,598,432	34,435,421	2,163,011	
Other financing sources (uses):				
Inception of capital lease	747,496	159,445	588,051	368.81%
Transfers in	-	9	(9)	(100.00%)
Transfers out	(55,321)	(145,000)	89,679	(61.85%)
Total other financing sources (uses)	692,175	14,454	677,721	
Net change in fund balance	$ 2,209,204	$ 585,096	$ 1,624,108	

Below is a graphical comparison of the general fund expenditures for 2018 compared to 2017.



General Fund Budgeting Highlights

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

During fiscal year 2018, the School District amended its general fund budget several times, however none were significant. Budget revisions are presented to the Board of Education for approval.

For the general fund, the original budgeted revenue and other financing sources estimate was $33,962,097. This amount was changed during the year, resulting in final revenue and other financing sources budget of $36,921,131. Actual revenue and other financing sources reported were $37,341,846, $420,715 more than the final budgeted amount. Most of the differences were due to estimates for property taxes, grant awards and other intergovernmental sources, the exact amounts of which are unknown during the original budgeting process. Those estimates must be adjusted during the year as the awards are finalized.

The original expenditures and other financing uses estimate of $36,258,932 was revised during the fiscal year. The final expenditures and other financing uses estimate of $36,727,276 was $468,344 higher than originally anticipated. In total this would be considered insignificant, with increases and decreases from the original and final budget posted to several line items of the budget. The actual expenditures and other financing uses however were $35,862,702, $864,574 or 2.4% lower than the final budgeted amount. This was the result of conservative spending by the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $29,873,977 invested in land and land improvements, buildings, furniture and equipment and vehicles. Table 5 shows fiscal year 2018 balances compared to fiscal year 2017:

Table 5
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	$ 1,681,927	$ 1,681,927
Land improvements	2,644,216	2,809,155
Buildings	23,724,279	24,324,279
Furniture and equipment	766,542	865,511
Vehicles	1,057,013	869,183
Total capital assets	$ 29,873,977	$ 30,550,055

Total capital assets decreased $676,078 during the year. This decrease was mainly caused by current year depreciation exceeding current year additions and disposals. See Note 7 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2018, the School District has general obligation school improvement bonds, including unamortized premiums and accreted interest on capital appreciation bonds, outstanding of $16,714,182 and refunding certificates of participation including unamortized premiums outstanding of $5,291,716, with $925,000 and $680,000 due within one year, respectively. Also, the School District has capital lease obligations of $779,860, of which $239,916 is due within one year. The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund. See Notes 11 and 12 to the basic financial statements for additional information regarding the School District's debt. As of June 30, 2018 the School District had a voted and unvoted debt margin of $46,373,925 and $1,360,117, respectively.

At June 30, 2018, the School District had $22,785,758 in bonds, certificates of participation and capital leases outstanding with $1,844,916 due within one year. Table 6 summarizes the bonds, certificates of participation and capital leases outstanding:

Table 6
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2018	2017
School Improvement Refunding Bonds	$ 14,061,161	$ 14,234,983
Premium and accreted interest	2,253,021	2,344,932
Refunding Certificates of Participation	5,185,000	5,840,000
Premium	106,716	141,399
School Improvement Bonds	400,000	785,000
Premium and accreted interest	-	1,344
Capital leases	779,860	307,287
Total outstanding debt	$ 22,785,758	$ 23,654,945

Current Issues Affecting Financial Condition

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions or need additional financial information, contact Bill Volosin, Treasurer, at Aurora City School District, 102 East Garfield Road, Aurora Ohio, 44202.

AURORA CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	$ 11,851,106
Cash and cash equivalents:	
In segregated accounts	14
Receivables:	
Taxes	31,391,778
Accounts	218,106
Intergovernmental	172,447
Accrued interest	12,810
Inventory held for resale	10,625
Capital assets:	
Nondepreciable capital assets	1,681,927
Depreciable capital assets	57,500,635
Accumulated depreciation	(29,308,585)
Total capital assets	29,873,977
Total assets	73,530,863
Deferred outflows of resources:	
Pension	14,484,844
OPEB	457,993
Deferred charge on refunding	1,129,337
Total deferred outflows of resources	16,072,174
Liabilities:	
Accounts payable	154,737
Accrued wages	3,059,373
Intergovernmental payable	550,519
Accrued interest payable	62,363
Matured compensated absences payable	101,338
Long-term liabilities:	
Due within one year	2,152,186
Due in more than one year:	
Net pension liability	46,584,654
Net OPEB liability	10,394,745
Other amounts due in more than one year	23,232,285
Total liabilities	86,292,200
Deferred inflows of resources:	
Property taxes	23,461,499
Pension	1,965,864
OPEB	1,259,674
Total deferred inflows of resources	26,687,037
Net position:	
Net investment in capital assets	9,495,680
Restricted for:	
Capital projects	1,586,891
Debt service	680,473
Other purposes	382,821
Unrestricted	(35,522,065)
Total net position	$ (23,376,200)

See accompanying notes to the basic financial statements.

AURORA CITY SCHOOL DISTRICT
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	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	$ 5,287,657	$ 801,928	$ 32,185	$ -	$ (4,453,544)
Special	2,345,010	23,655	434,148	-	(1,887,207)
Vocational	130,998	-	-	-	(130,998)
Other	475,411	-	-	-	(475,411)
Support services:					
Pupils	950,520	-	194,242	-	(756,278)
Instructional staff	1,033,303	-	81,986	-	(951,317)
Board of education	139,012	-	-	-	(139,012)
Administration	1,504,489	1,698	57,596	-	(1,445,195)
Fiscal	859,869	-	-	-	(859,869)
Business	185,104	-	-	-	(185,104)
Operation and maintenance of plant	2,789,492	920	-	-	(2,788,572)
Pupil transportation	1,775,739	-	-	-	(1,775,739)
Central	12,419	-	-	-	(12,419)
Operation of non-instructional services:					
Food service operations	797,610	649,626	136,572	-	(11,412)
Community service	108,481	-	153,116	-	44,635
Extracurricular activities	919,962	380,392	49,520	36,000	(454,050)
Interest and fiscal charges	1,030,549	-	-	-	(1,030,549)
Totals	$ 20,345,625	$ 1,858,219	$ 1,139,365	$ 36,000	(17,312,041)

General Revenues:	
Property taxes levied for:	
General purposes	28,160,605
Debt service	1,267,459
Capital outlay	672,449
Grants and entitlements not restricted to specific programs	8,635,255
Investment earnings	128,285
Miscellaneous	278,494
Total general revenues	39,142,547
Change in net position	21,830,506
Net position beginning of year, restated	(45,206,706)
Net position end of year	$ (23,376,200)

See accompanying notes to the basic financial statements.

AURORA CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	$ 9,579,824	$ 2,271,282	$ 11,851,106
Cash and cash equivalents:			
In segregated accounts	-	14	14
Receivables:			
Taxes	29,417,209	1,974,569	31,391,778
Accounts	217,989	117	218,106
Intergovernmental	140,414	32,033	172,447
Interfund	136,900	-	136,900
Accrued interest	12,810	-	12,810
Inventory held for resale	-	10,625	10,625
Total assets	$ 39,505,146	$ 4,288,640	$ 43,793,786
Liabilities:			
Accounts payable	$ 143,608	$ 11,129	$ 154,737
Accrued wages	3,016,322	43,051	3,059,373
Interfund payable	-	136,900	136,900
Intergovernmental payable	529,674	20,845	550,519
Matured compensated absences payable	101,338	-	101,338
Total liabilities	3,790,942	211,925	4,002,867
Deferred inflows of resources:			
Property taxes	21,988,199	1,473,300	23,461,499
Unavailable revenue	8,530	6,226	14,756
Unavailable revenue - delinquent property taxes	642,482	43,767	686,249
Total deferred inflows of resources	22,639,211	1,523,293	24,162,504
Fund balances:			
Restricted	-	2,642,276	2,642,276
Committed	11,000	-	11,000
Assigned	58,314	-	58,314
Unassigned	13,005,679	(88,854)	12,916,825
Total fund balances	13,074,993	2,553,422	15,628,415
Total liabilities, deferred inflows of resources and fund balances	$ 39,505,146	$ 4,288,640	$ 43,793,786

See accompanying notes to the basic financial statements.

AURORA CITY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total governmental funds balances		$ 15,628,415
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.		29,873,977
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Property taxes	$ 686,249	
Intergovernmental	6,226	
Tuition and fees	8,530	
Total		701,005
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(62,363)
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	14,484,844	
Deferred inflows - pension	(1,965,864)	
Net pension liability	(46,584,654)	
Deferred outflows - OPEB	457,993	
Deferred inflows - OPEB	(1,259,674)	
Net OPEB liability	(10,394,745)	
Total		(45,262,100)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	$ (2,598,713)	
Refunding general obligation bonds	(16,314,182)	
Unamortized cost of refunding	1,129,337	
General obligation bonds	(400,000)	
Refunding certificates of participation	(5,291,716)	
Capital leases	(779,860)	
Total		(24,255,134)
Net position of governmental activities		$ (23,376,200)

See accompanying notes to the basic financial statements.

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

	General	All Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 28,082,464	$ 1,940,141	$ 30,022,605
Intergovernmental	8,701,619	1,228,409	9,930,028
Interest	111,538	17,773	129,311
Tuition and fees	776,092	-	776,092
Extracurricular activities	114,706	310,372	425,078
Gifts and donations	49,628	100,520	150,148
Charges for services	-	649,626	649,626
Rent	920	-	920
Miscellaneous	278,494	1,237	279,731
Total revenues	38,115,461	4,248,078	42,363,539
Expenditures:			
Current:			
Instruction:			
Regular	17,549,881	4,317	17,554,198
Special	4,276,588	393,654	4,670,242
Vocational	198,812	-	198,812
Other	999,368	-	999,368
Support services:			
Pupils	2,228,152	205,559	2,433,711
Instructional staff	1,396,826	76,926	1,473,752
Board of education	139,871	-	139,871
Administration	2,428,331	44,811	2,473,142
Fiscal	887,558	31,716	919,274
Business	194,896	-	194,896
Operation and maintenance of plant	2,652,993	44,583	2,697,576
Pupil transportation	1,755,844	-	1,755,844
Central	9,531	-	9,531
Operation of non-instructional services:			
Food service operations	-	805,180	805,180
Community service	-	170,874	170,874
Extracurricular activities	741,906	384,222	1,126,128
Capital outlay	428,588	-	428,588
Debt service:			
Principal retirement	693,923	1,146,000	1,839,923
Interest and fiscal charges	15,364	653,872	669,236
Total expenditures	36,598,432	3,961,714	40,560,146
Excess of revenues over expenditures	1,517,029	286,364	1,803,393
Other financing sources (uses):			
Inception of capital lease	747,496	-	747,496
Transfers in	-	55,321	55,321
Transfers out	(55,321)	-	(55,321)
Total other financing sources (uses)	692,175	55,321	747,496
Net change in fund balances	2,209,204	341,685	2,550,889
Fund balances beginning of year	10,865,789	2,211,737	13,077,526
Fund balances end of year	$ 13,074,993	$ 2,553,422	$ 15,628,415

See accompanying notes to the basic financial statements.

AURORA CITY SCHOOL DISTRICT
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		$ 2,550,889
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 capital assets is allocated over their estimated useful lives as depreciation expense.		
In the current period, these amounts are:		
Capital asset additions	$ 428,588	
Depreciation expense	(1,104,666)	
Excess of depreciation over capital asset additions		(676,078)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Property taxes	$ 77,908	
Intergovernmental	(270,582)	
Tuition and fees	5,266	
Net change in deferred inflows of resources during the year		(187,408)
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
Pension		3,197,945
OPEB		105,675
Except for amounts reported as deferred inflows/outflows, changes in the net pension/ OPEB liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension		14,525,104
OPEB		1,644,286
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,839,923
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statements of net position, the lease obligation is reported as a liability.		
Inception of a capital lease		(747,496)
Some items 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. These activities consist of:		
Increase in compensated absences	$ (61,021)	
Decrease in accrued interest	3,345	
Amortization of:		
Premium	190,486	
Deferred cost of refunding	(141,418)	
Bond accretion	(413,726)	
Total additional expenditures		(422,334)
Change in net position of governmental activities		$ 21,830,506

See accompanying notes to the basic financial statements.

AURORA CITY SCHOOL DISTRICT
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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 25,117,803	$ 26,804,772	$ 27,074,291	$ 269,519
Intergovernmental	7,619,711	8,578,768	8,665,027	86,259
Interest	57,945	116,675	133,059	16,384
Tuition and fees	549,131	707,136	714,246	7,110
Extracurricular activities	64,763	69,779	70,481	702
Gifts and donations	-	18,811	19,000	189
Rent	5,951	911	920	9
Miscellaneous	81,793	88,073	128,640	40,567
Total revenues	33,497,097	36,384,925	36,805,664	420,739
Expenditures:				
Current:				
Instruction:				
Regular	16,978,627	17,251,610	17,120,697	130,913
Special	4,084,464	4,284,537	4,232,090	52,447
Vocational	194,103	199,152	195,179	3,973
Other	1,269,424	1,113,891	1,032,412	81,479
Support services:				
Pupils	2,249,902	2,314,669	2,229,599	85,070
Instructional staff	1,430,653	1,440,860	1,358,923	81,937
Board of education	179,680	155,005	129,234	25,771
Administration	2,461,695	2,439,482	2,380,762	58,720
Fiscal	928,231	901,296	873,919	27,377
Business	213,248	202,784	189,589	13,195
Operation and maintenance of plant	3,030,808	2,881,833	2,722,528	159,305
Pupil transportation	1,849,071	1,795,529	1,744,832	50,697
Central	80,337	34,531	9,531	25,000
Extracurricular activities	785,739	819,713	751,023	68,690
Debt service:				
Principal retirement	419,000	419,000	419,000	-
Total expenditures	36,154,982	36,253,892	35,389,318	864,574
Excess of revenues over (under) expenditures	(2,657,885)	131,033	1,416,346	1,285,313
Other financing sources (uses):				
Refund of prior year expenditures	65,000	81,532	81,508	(24)
Advances in	400,000	454,674	454,674	-
Advances out	(103,950)	(418,063)	(418,063)	-
Transfers out	-	(55,321)	(55,321)	-
Total other financing sources (uses)	361,050	62,822	62,798	(24)
Net change in fund balance	(2,296,835)	193,855	1,479,144	1,285,289
Fund balances at beginning of year	7,704,249	7,704,249	7,704,249	-
Prior year encumbrances appropriated	343,777	343,777	343,777	-
Fund balances at end of year	$ 5,751,191	$ 8,241,881	$ 9,527,170	$ 1,285,289

See accompanying notes to the basic financial statements.

AURORA CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trusts	Agency
Assets:		
Equity in pooled cash and cash equivalents	$ 12,016	$ 222,111
Receivables:		
Accounts	-	17
Total assets	$ 12,016	$ 222,128
Liabilities:		
Due to students	$ -	$ 222,128
Total liabilities	-	$ 222,128
Net position:		
Held in trust for scholarships	12,016	
Total net position	$ 12,016	

See accompanying notes to the basic financial statements.

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

	Private Purpose Trusts
Additions:	
Gifts and contributions	$ 2,000
Interest	156
Total additions	2,156
Deductions:	
Payments in accordance with trust agreements	2,250
Change in net position	(94)
Net position, beginning of year	12,110
Net position, end of year	$ 12,016

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Aurora City School District (the School District) operates under the direction of a locally elected five-member Board of Education as Ohio state law prescribes. The School District provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The board controls the School District's four instructional/support facilities, which are staffed by 127 non-certificated employees and 220 certificated full-time teaching employees which includes 12 administrative employees. These personnel provide services to approximately 2,907 students and other community members.

The predecessor to the Aurora City School District was established in 1898 when a system of neighborhood one-room schoolhouses in the then-agrarian community was consolidated into a unified school district, which approximately encompasses the boundaries of what now is the city of Aurora. Historical records indicate that a system of public education in Aurora dates back as far as 1804. Members of the Board of Education are elected at large and serve staggered four-year terms and are required to be registered voters of the district under Ohio law.

The Aurora City School District serves a geographic area of approximately twenty-five square miles. It encompasses all of the City of Aurora in northwestern Portage County and a small portion of Summit County within the Village of Reminderville. The School District operates three elementary schools, one middle school and one comprehensive high school. The School District also provides a variety of vocational educational programs for high-school students through a regional vocational education consortium.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes.

Ohio School Building Leasing Corporation During fiscal year 2000, the Leasing Corporation was formed to issue Certificates of Participation for the purpose of constructing a new elementary school in accordance with Ohio Revised Code 3313.375. The School District will make lease payments to the Corporation for the life of the issuance, after which time it will take ownership of the building. The Leasing Corporation is governed by a three member board appointed by the School District. Although the Leasing Corporation is a separate legal entity, the School District's financial statements include activity pertaining to the Certificates of Participation as a blended component unit of the School District since the debt was issued on behalf of the School District. The Leasing Corporation has assigned its duties to a Trustee to handle the finances.

Within the boundaries of the Aurora City School District, Valley Christian Academy is operated as a private school. State legislation provides funding to this private school. The School District receives the money and then disburses the money as directed by the private school. The accounting for the monies is reflected in a special revenue fund of the School District.

The School District is associated with the Stark Portage Area Computer Consortium, the Portage Area School Consortium and the Ohio Schools Council which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 14.

B. Basis of Presentation

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

Government-wide Financial Statements

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

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the School District's governmental activities of the School District. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

C. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulation, restrictions or limitations.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

Governmental Fund Types:

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund is the School District's only major fund:

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

Fiduciary Fund Types:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four categories: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. The School District's three agency funds are used to report resources held for student managed activities, resources held for student cafeteria purchases and to account for money temporarily held for Ohio High School Athletic Association (OHSAA) tournaments.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets, liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

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

The private purpose trust fund is reported using the economic resources measurement focus.

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

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

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

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expenditure and a like amount as intergovernmental revenue. In addition these amounts are reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding, pension and other postemployment benefits (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. This amount is related to debt refundings in the current and prior fiscal years. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, tuition and fees, and rent. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 9 and 10)

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

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when original appropriations were adopted. The amounts reported as the final budgeted revenue budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2018. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board of Education during the year.

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to instruments of government sponsored mortgage-backed securities, negotiable certificates of deposit, a mutual fund money market, commercial paper and an interest in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market value (fair value).

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

For the fiscal year 2018, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice is appreciated 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Cash not required to meet the immediate financial obligations of the district is invested in an investment pool operated under the auspices of the Treasurer of the State of Ohio as provided for by Ohio law so that the district can maximize its investment earnings. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds or federal grants, unless the Board specifically allows the interest to be recorded in other funds.

G. Inventory

On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventory of the food service special revenue fund is stated at cost, which is determined on first in, first out basis. Inventories in the food service fund consist of donated food, purchased food, and supplies held for resale. Inventories reported on the fund financial statements are expended when used.

H. Capital Assets and Depreciation

General capital assets are those assets resulting 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. It is the policy of the School District to not capitalize interest costs incurred as part of construction.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Asset description	Estimated lives
Land improvements	20 years
Buildings and improvements	10 - 75 years
Furniture and equipment	5 - 30 years
Vehicles	10 - 15 years

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets can include the amount required to be set-aside for the acquisition and construction of capital improvements as well as certain capital maintenance costs. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance restriction.

J. Premiums

In governmental fund types, premiums are recognized in the current period. On the statement of net position, premiums are amortized over the term of the debt using the bonds outstanding method, which approximates the effective interest method. Premiums are presented as an addition to the face amount of the debt.

K. Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the bonds outstanding method and is presented as deferred outflows of resources on the statement of net position.

L. Short-term Interfund Assets/Liabilities

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

M. Pension and other postemployment benefits (OPEB)

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

The current accounting standard requires school districts to report their proportionate share of the net pension/OPEB liability using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability equals the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB liability. The School District has no control over the changes in the benefits, contribution rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

N. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

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

O. 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 once incurred are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, claims and judgments, and 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. Long-term loans are recognized as a liability on the governmental 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.

P. Fund Balance

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

Nonspendable 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 category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

Q. Interfund Transactions

Interfund transfers are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statements of net position.

R. Net Position

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

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

S. Estimates

The preparation of financial statements in conformity with GAAP 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 2 – FUND BALANCES

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
Restricted for			
Athletics and music	$ -	$ 114,982	$ 114,982
Auxiliary services	-	4,135	4,135
Instructional programs	-	163,799	163,799
Special education	-	2,888	2,888
Professional development	-	85,190	85,190
Technology	-	7,638	7,638
Capital improvements	-	1,571,785	1,571,785
Debt service payments	-	691,859	691,859
Total restricted	-	2,642,276	2,642,276
Committed			
Underground storage tanks	11,000	-	11,000
Assigned			
Public school support	58,314	-	58,314
Unassigned	13,005,679	(88,854)	12,916,825
Total fund balances	$ 13,074,993	$ 2,553,422	$ 15,628,415

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described below is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual General Fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

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

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

3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance

	General
GAAP basis	$ 2,209,204
Net adjustment for revenue accruals	(1,798,525)
Advances in	454,674
Net adjustment for expenditure accruals	1,044,596
Advances out	(418,063)
Perspective differences from funds budgeted as special revenue funds:	
Revenues	(177,260)
Expenditures	164,518
Budget basis	$ 1,479,144

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing within five years from the date of deposit or by savings or deposit accounts including pass book accounts. Interim deposits may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

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

3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;

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

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

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

7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and

8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC). The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee. The pledged collateral can be held for each public depositor or in a pool for multiple public depositors and must have a market value of at least 105% of the total value of public monies on deposit at the institution. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasurer of State. The School District's financial institution participates in the OPCS and was approved for a reduced collateral floor of 50 percent.

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

Deposits:

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. As of June 30, the carrying amount of the School District's deposits was $2,083,285, and $522,481 of the School District's bank balance of $2,242,272 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

Investments:

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

Investment type	Fair Value	Percentage of Investments	Maturity	Rating
Federal Home Loan Mortgage Corp.	$ 86,471	0.86%	06/29/20	AA+ (1)
Federal Home Loan Mortgage Corp.	302,687	3.03%	06/29/20	AA+ (1)
Federal Home Loan Mortgage Corp.	97,465	0.97%	06/29/21	AA+ (1)
Federal Farm Credit Bank	122,625	1.23%	06/22/20	AA+ (1)
Commercial paper	273,109	2.73%	09/28/18	A-1 (1)
Commercial paper	364,896	3.65%	09/07/18	A-1 (1)
Commercial paper	120,234	1.20%	09/10/18	A-1 (1)
Commercial paper	244,308	2.44%	10/26/18	A-1 (1)
First American Government Obligation Money Market	377,153	3.77%	< 1 year	AAAm (1)
STAR Ohio	6,934,368	69.34%	48.9 (2)	AAAm (1)
	$ 8,923,316			

(1) Standard and Poor's rating
(2) Days (Average)

Investment Type	Fair Value	Percentage of Investments	Maturity
Negotiable certificates of deposit	$ 247,983	2.48%	07/02/18
Negotiable certificates of deposit	244,429	2.44%	10/18/19
Negotiable certificates of deposit	196,134	1.96%	10/19/20
Negotiable certificates of deposit	196,134	1.96%	10/19/20
Negotiable certificates of deposit	193,966	1.94%	06/30/21
	$ 1,078,646		

All of the School District's negotiable CD's were covered in full by FDIC insurance.

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above tables identify the School District's recurring fair value measurement as of June 30, 2018. As previously discussed Star Ohio is reported at its net asset value. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in Federal Home Loan Mortgage Corporation (FHLMC) and Federal Farm Credit Bank (FFCB) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds. See note above concerning negotiable certificates of deposit.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. These investments are presented in the table above. The School District's policy places no limit on the amount that may be invested in any one issuer.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $111,538, which includes $7,829 assigned from other School District funds.

NOTE 5 - 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, public utility and tangible personal property (used in public utility) located in the School District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 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 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Portage and Summit Counties. The County Auditor and Fiscal Officer periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available 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 was $6,786,528 in the general fund, $158,212 in the permanent improvement capital projects fund, and $299,290 in the bond retirement debt service fund and is recognized as revenue.

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

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

Property Category	2018 Assessed Value	2017 Assessed Value
Real Property		
Residential and Agricultural	$ 551,824,510	$ 516,001,420
Commercial and Industrial and Minerals	102,713,560	104,054,770
Public Utilities	388,340	344,510
Tangible Personal Property		
Public Utilities	13,331,670	12,296,540
Total	$ 668,258,080	$ 632,697,240

NOTE 6 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts (tuition), interfund, intergovernmental grants, entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The intergovernmental receivable at June 30, 2018 consisted of:

Governmental Activities	Amount
General fund	$ 140,414
Special revenue funds:	
Food service	2,620
Miscellaneous local grants	18
Auxiliary services	451
Miscellaneous state grants	1,303
IDEA-B	10,381
Title I	8,973
Preschool grant for the handicapped	5,304
Title II-A	573
Miscellaneous federal grants	2,410
	$ 172,447

NOTE 7 - CAPITAL ASSETS

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

Governmental activities	Balance 6/30/17	Additions	Disposals	Balance 6/30/18
Capital assets, not being depreciated:				
Land	$ 1,681,927	$ -	$ -	$ 1,681,927
Capital assets, being depreciated:				
Land improvements	4,415,738	-	-	4,415,738
Buildings	48,182,415	-	-	48,182,415
Furniture and equipment	1,956,031	19,738	-	1,975,769
Vehicles	2,807,047	408,850	(289,184)	2,926,713
Total capital assets, being depreciated	57,361,231	428,588	(289,184)	57,500,635
Less: Accumulated depreciation				
Land improvements	(1,606,583)	(164,939)	-	(1,771,522)
Buildings	(23,858,136)	(600,000)	-	(24,458,136)
Furniture and equipment	(1,090,520)	(118,707)	-	(1,209,227)
Vehicles	(1,937,864)	(221,020)	289,184	(1,869,700)
Total accumulated depreciation	(28,493,103)	(1,104,666)	289,184	(29,308,585)
Total capital assets being depreciated, net	28,868,128	(676,078)	-	28,192,050
Capital assets, net	$ 30,550,055	$ (676,078)	$ -	$ 29,873,977

Depreciation expense charged to governmental functions for the year ending June 30, 2018 is as follows:

Instruction:	
Regular	$ 295,863
Special	16,340
Vocational	2,215
Support services:	
Pupils	2,419
Instructional staff	60,078
Board of education	1,050
Administration	36,126
Fiscal	485
Business	7,978
Operation and maintenance of plant	288,091
Pupil transportation	214,788
Central	2,888
Food service operations	39,979
Extracurricular activities	136,366
	$ 1,104,666

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. General liability is insured up to $1,000,000 per occurrence to $2,000,000 in the aggregate. Property is insured from $1,000,000 to $111,087,951 with deductibles up to $5,000. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District has joined the Portage Area School Consortium for property and general liability insurance and for health insurance of the School District's employees. The Portage Area School Consortium was established in 1981 so that thirteen educational-service providers in Portage County could manage risk exposures and purchase necessary insurance coverages as a group. The consortium has organized into two distinct entities to facilitate its risk management operations; the two entities are the Property and Casualty Insurance Pool and the Health and Welfare Pool. The Property and Casualty Insurance Pool functions to manage the member districts' physical property and liability risks and the Health and Welfare Pool is to facilitate the management of risks associated with providing employee benefits, coverages such as health and accident insurance, disability insurance and life insurance. The School District participates in both insurance pools. The consortium, to facilitate the operation of the Health and Welfare Pool, retains a third-party administrator. The School District pays all insurance premiums directly to the consortium. Although the School District does not participate in the day-to-day management of the consortium, one administrator serves as a trustee of the consortium's governing board as provided in the consortium's enabling authority. The School District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the consortium become depleted, it is the opinion of management that the assets of the consortium are sufficient to meet its claims.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

A. School Employees Retirement System

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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; or 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.

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

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

The School District's contractually required contribution to SERS was $691,106 for fiscal year 2018. Of this amount $62,613 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost of living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. 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 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service credit. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $2,506,839 for fiscal year 2018. Of this amount $351,194 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the net pension liability - prior measurement date	0.159340%	0.1577322%	
Proportion of the net pension liability - current measurement date	0.157742%	0.1564285%	
Change in proportionate share	-0.001598%	-0.001304%	
Proportionate share of the net pension liability	$9,424,724	$37,159,930	$46,584,654
Pension expense	($428,825)	($14,096,279)	($14,525,104)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 405,607	$ 1,434,942	$ 1,840,549
Changes of assumptions	487,360	8,127,285	8,614,645
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	5,487	826,218	831,705
School District contributions subsequent to the measurement date	691,106	2,506,839	3,197,945
Total deferred outflows of resources	$ 1,589,560	$ 12,895,284	$ 14,484,844
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 299,495	$ 299,495
Net difference between projected and actual earnings on pension plan investments	44,737	1,226,321	1,271,058
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	89,295	306,016	395,311
Total deferred inflows of resources	$ 134,032	$ 1,831,832	$ 1,965,864

$3,197,945 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	SERS	STRS	Total
2019	$ 326,859	$ 1,914,951	$ 2,241,810
2020	535,337	3,583,168	4,118,505
2021	121,936	2,485,832	2,607,768
2022	(219,710)	572,662	352,952
Total	$ 764,422	$ 8,556,613	$ 9,321,035

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an experience study that was completed June 30, 2015.

The cost of living adjustment was changed from a fixed 3 percent annual increase in the prior measurement date to a cost of living adjustment based on the change in the Consumer Price Index (CPI-W) not greater than 2.5 percent with a floor of zero percent beginning January 1, 2018. In addition, the Board has enacted a three year COLA suspension for benefit recipients in calendar years 2018, 2019, and 2020.

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. 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. 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.

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

Asset class	Target allocation	Long term expected real rate of return
Cash	1.00 %	0.50 %
US stocks	22.50	4.75
Non-US stocks	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 13,079,068	$9,424,724	$6,363,466

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
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment rate of return	7.45 percent, net of investment expenses
Payroll increases	3.00 percent
Cost-of-living adjustments (COLA)	0 percent, effective July, 1 2017

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. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (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) post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016, (f) post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016, (g) pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

Asset class	Target allocation **	Long term expected real rate of return*
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	100.00 %	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30 year period, STRS'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.

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current discount rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$ 53,267,495	$37,159,930	$23,591,721

C. Social Security System

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

NOTE 10 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

A. School Employee Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 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. For fiscal year 2018, the School District's surcharge obligation was $80,079.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $105,675 for fiscal year 2018. Of this amount $82,397 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

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

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

	SERS	STRS	Total
Proportion of the net OPEB liability - prior measurement date	0.161285%	0.1577322%	
Proportion of the net OPEB liability - current measurement date	0.159907%	0.1564285%	
Change in proportionate share	-0.001378%	-0.001304%	
Proportionate share of the net OPEB liability	$4,291,481	$6,103,264	$10,394,745
OPEB expense	$228,060	($1,872,346)	($1,644,286)

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	$ -	$ 352,318	$ 352,318
School District contributions subsequent to the measurement date	105,675	-	105,675
Total deferred outflows of resources	$ 105,675	$ 352,318	$ 457,993
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ 11,333	$ 260,868	$ 272,201
Changes of assumptions	407,239	491,638	898,877
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	28,834	59,762	88,596
Total deferred inflows of resources	$ 447,406	$ 812,268	$1,259,674

$105,675 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	SERS	STRS	Total
2019	$ (160,831)	$ (98,397)	$ (259,228)
2020	(160,831)	(98,397)	(259,228)
2021	(122,910)	(98,397)	(221,307)
2022	(2,834)	(98,397)	(101,231)
2023	-	(33,180)	(33,180)
Thereafter	-	(33,182)	(33,182)
Total	$ (447,406)	$ (459,950)	$ (907,356)

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 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
Investment rate of return	7.5 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 School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current discount rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$ 5,182,510	$4,291,481	$3,585,599

	1% Decrease (6.5% decreasing to 4.0%)	Current trend rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's proportionate share of the net OPEB liability	$ 3,482,215	$4,291,481	$5,362,558

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	2.50 percent at age 65 to 12.50 percent at age 20
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0 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 real rate of return*
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	100.00 %	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30 year period, STRS's investment consultant indicated 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 OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection.

The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

	1% Decrease (3.13%)	Current discount rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$ 8,193,533	$6,103,264	$4,451,267

	1% Decrease	Current trend rate	1% Increase
School District's proportionate share of the net OPEB liability	$ 4,240,286	$6,103,264	$8,555,160

NOTE 11 - LONG-TERM OBLIGATIONS

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

Governmental activities	Restated Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Due in one year
General Obligation Bonds					
2014 Refunding School Improvement					
Serial Bonds	$ 7,065,000	$ -	$ -	$ 7,065,000	$ -
Premium	744,403	-	(75,960)	668,443	-
Capital Appreciation Bonds	339,991	-	(147,217)	192,774	110,635
Accretion on Bonds	491,377	210,748	(267,783)	434,342	304,365
2013 Refunding School Improvement					
Serial Bonds	6,680,000	-	-	6,680,000	-
Premium	741,224	-	(78,499)	662,725	-
Capital Appreciation Bonds	149,992	-	(26,605)	123,387	18,555
Accretion on Bonds	367,928	202,978	(83,395)	487,511	91,445
2009 School Improvement					
Serial Bonds	785,000	-	(385,000)	400,000	400,000
Premium	1,344	-	(1,344)	-	-
Total bonds	17,366,259	413,726	(1,065,803)	16,714,182	925,000
Certificates of Participation					
2015 Refunding Certificates	5,840,000	-	(655,000)	5,185,000	680,000
Premium	141,399	-	(34,683)	106,716	-
Total certificates	5,981,399	-	(689,683)	5,291,716	680,000
Other long-term obligations					
Capital lease	307,287	747,496	(274,923)	779,860	239,916
Compensated absences	2,537,692	429,333	(368,312)	2,598,713	307,270
Total other long-term obligations	2,844,979	1,176,829	(643,235)	3,378,573	547,186
Net pension liability					
STRS	52,797,725	-	(15,637,795)	37,159,930	-
SERS	11,662,232	-	(2,237,508)	9,424,724	-
Total net pension liability	64,459,957	-	(17,875,303)	46,584,654	-
Net OPEB liability					
STRS	8,435,560	-	(2,332,296)	6,103,264	-
SERS	4,597,219	-	(305,738)	4,291,481	-
Total net OPEB liability	13,032,779	-	(2,638,034)	10,394,745	-
Total long-term obligations	$ 103,685,373	$ 1,590,555	$ (22,912,058)	$ 82,363,870	$ 2,152,186

General obligation bonds are direct obligations of the School District for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from voted and unvoted general property taxes. Property tax monies will be received in and the debt will be repaid from the bond retirement debt service fund. The liability for the certificates is payable from resources from the general and debt service funds. The certificates of participation are not a general obligation of the School District but are payable only from appropriations by the School District as annual lease payments. Compensated absences will be paid from the fund the person is paid from and the capital lease is an obligation of the general fund.

The School Districts long-term obligations are as follows:

	Original Amount	Interest Rate	Maturity Date
General Obligation Bonds			
2014 Refunding School Improvement	7,445,000	1.4 - 4.0%	12/1/2033
Capital appreciation	339,991	20.03 - 35.47%	12/1/2019
2013 Refunding School Improvement	7,010,000	1.0 - 4.0%	12/1/2033
Capital appreciation	149,992	8.20 - 24.18%	12/1/2020
2009 School Improvement	9,345,000	3.0 - 5.5%	12/1/2018
Certificates of Participation			
2015 Refunding Certificates	7,135,000	2.0 - 3.0%	12/1/2024

School Improvement Bonds - In January 2009, the School District issued $9,345,000 in general obligation bonds which include serial and capital appreciation bonds. Capital appreciation bonds matured in prior fiscal years. The premium on the bonds was significant and is amortized over the life of the bonds using the bonds outstanding method of amortization.

In April 2014, the School District issued $7,784,991 in refunding general obligation bonds which included serial, term and capital appreciation bonds. The capital appreciation bonds mature in fiscal years 2018, 2019, and 2020 with par values of $415,000 for the first two bonds and $410,000 for the final bond. The 2014 Refunding School Improvement Bonds proceeds consisted of bond principal and $980,123 of premium. The net proceeds of $8,604,968 (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of the 2008 School Improvement Bonds refunded. As a result, the bonds are considered to be defeased and the liability is not reported by the School District. The difference between the reacquisition price and the net carrying amount of the old debt was $819,968 and is reported as a deferred outflow of resources on the Statements of Net Position. The premium on the new debt was significant and is amortized over the life of the new bonds using the bonds outstanding method of amortization. The School District advance refunded the old bonds to reduce their total debt service payments over the next twenty years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $326,168.

In December 2013, the School District issued $7,159,992 in refunding general obligation bonds which included serial, term and capital appreciation bonds. The capital appreciation bonds mature in fiscal years 2018, 2019, 2020 and 2021 with par values of $110,000 for the first two bonds and $525,000 for the final two bonds. The 2013 Refunding School Improvement Bonds proceeds consisted of bond principal and $981,234 of premium. The net proceeds of $7,975,214 (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of the 2009 School Improvement Bonds refunded. As a result, the bonds are considered to be defeased and the liability is not reported by the School District. The difference between the reacquisition price and the net carrying amount of the old debt was $742,376 and is reported as a deferred outflow of resources on the Statements of Net Position. The premium on the new debt was significant and is amortized over the life of the new bonds using the bonds outstanding method of amortization. The School District advance refunded the old bonds to reduce their total debt service payments over the next twenty years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $323,164.

Certificates of Participation – During fiscal year 2000, the School District entered into a lease agreement for $12,000,000 with the Ohio School Building Leasing Corporation (formally known as Aurora City School District Leasing Corporation) for a new elementary school. The lease is an annual lease subject to renewal for twenty-five years through December 1, 2025.

Refunding Certificates of Participation - In March 2015, the School District issued $7,135,000 of refunding certificates of participation with interest rates varying between 2.0-3.0 percent. The certificates were used to current refund $7,070,000 of outstanding certificates of participation with an average interest rate of 3.0-4.25 percent. The proceeds consisted of principal and $266,791 of premium. The net proceeds of $7,218,744 (after payment of underwriting fees, insurance and other issuance costs of $183,047) were deposited in an irrevocable trust with an escrow agent to provide for debt service payments of the certificates refunded with a call date of June 1, 2015. As a result, the certificates are considered to be redeemed and the liability is not reported by the School District. The premium on the certificates was significant and is amortized over the life of the certificates using the bonds outstanding method of amortization. The School District refunded the old certificates to reduce their total debt service payments over the next ten years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $488,054.

The Leasing Corporation entered an agreement with a trustee through which it assigned and transferred rights and interest under the lease to Huntington National Bank as Trustee. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. Proceeds from the issuance are mainly being used to construct a new elementary school. In addition, terms of the trust indenture require a portion of the proceeds to be set aside for current and future certificate payments. The current certificate payment account is used to account for resources accumulated for payment over the next twelve months. The reserve account is used solely to make rent payments if a deficiency exits in the current certificate payment account and, if all payments are current, to make payment of the last certificate payments.

The obligation of the School District under the lease and any subsequent lease renewal is subject to annual appropriation of the rental payments. Legal title to the facilities remains with the Leasing Corporation until all payments required under the lease have been made. At that time, title will transfer to the School District.

There is no repayment schedule for the net pension liability and net OPEB liability; however, the School District pays pension and OPEB obligations related to employee compensation from the fund benefitting from their service.

Principal, compounded interest on capital appreciation bonds and interest requirements to retire the general obligation bonds outstanding at June 30, 2018, are as follows:

Governmental Activities					
	School Improvement Bonds			Certificates of Participation	
Fiscal Year	Principal	Compounded Interest	Interest	Principal	Interest
2019	$ 529,190	$ 395,810	$ 472,056	$ 680,000	$ 145,350
2020	143,900	791,100	463,556	700,000	124,650
2021	443,071	481,929	459,056	720,000	103,350
2022	950,000	-	442,681	735,000	81,525
2023	970,000	-	417,469	760,000	59,100
2024-2028	5,200,000	-	1,634,113	1,590,000	48,000
2029-2033	5,310,000	-	680,242	-	-
2034	915,000	-	18,300	-	-
Total	$ 14,461,161	$ 1,668,839	$ 4,587,473	$ 5,185,000	$ 561,975

NOTE 12 – CAPITALIZED LEASES – LESSEE DISCLOSURE

During the fiscal year, the School District entered into a capitalized lease for the acquisition of computers and buses. The School District entered into a capitalized lease agreement for the acquisition of copiers, a vehicle and computer equipment in a prior fiscal year. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by the copier lease, vehicle lease and bus lease have been capitalized as equipment and vehicles in the amount of $98,478, $38,109 and $402,250. These amounts are equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled $274,923.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

Fiscal Year	Lease Payments
2019	254,612
2020	242,621
2021	242,621
2022	95,433
Total minimum lease payments	835,287
Less: amount representing interest	(55,427)
Total	$ 779,860

NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at year end consist of the following individual fund receivables and payables:

Due to general fund from:	
Nonmajor governmental funds	$ 136,900

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2018, all interfund loans outstanding are anticipated to be repaid in fiscal year 2019.

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfers to/from nonmajor governmental funds to/from:	
General fund	$ 55,321

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Stark Portage Area Computer Consortium (SPARCC) is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All School Districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs SPARCC. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund and the management information system special revenue fund. During the fiscal year, the School District contributed $125,149 to SPARCC.

Portage Area School Consortium is an insurance group-purchasing consortium made up of 25 participating members. All members pay an insurance premium directly to the consortium. The School District paid $4,880,304 in the form of health care, life insurance premiums and commercial property and liability insurance and to the consortium for the current fiscal year.

The Ohio Schools Council (Council) is a jointly governed organization among 210 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-three northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2018 the School District paid the Council $44,704 for natural gas purchases, and $3,833 for other services. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The School District is not involved in any litigation at this time.

C. Enrollment Adjustments

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. ODE’s final FTE adjustments did not have a material impact on the School District’s financial statements.

NOTE 16 - STATUTORY RESERVES

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

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

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Maintenance Reserve
Set-aside cash balance as of June 30, 2017	$ -
Current year set-aside requirement	513,815
Current year offset	(757,346)
Total	$ (243,531)
Balance carried forward to future years	$ -

NOTE 17 - ACCOUNTABILITY

As of June 30, 2018 the following funds had deficit fund balances:

	Amount
Nonmajor special revenue funds:	
Food service	$ 86,817
Miscellaneous state grants	1,303
Preschool grant for the hanicapped	191
Miscellaneous federal grants	543

This deficit was caused by the application of general accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 18 – TAX ABATEMENTS

Pursuant to Ohio Revised Code (ORC) Section 3735.67, the City of Aurora (the City) established an Community Reinvestment Area (CRA) program. The CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

The total value of the School District's share of taxes abated for fiscal year 2018 was $543,404.

Pursuant to Section 5709.82 of the Ohio Revised Code, the City of Aurora created various Community Reinvestment Area Compensation Agreements. These agreements require municipal income tax revenue sharing with Aurora City School District when new income tax collections exceed $1 million dollars less a tax offset of 35 percent. The School District received $110,947 from the City during fiscal year 2018.

NOTE 19 – RESTATEMENT NOTES

For fiscal year 2018, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions." GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net position June 30, 2017	($32,260,319)
Adjustments:	
Net OPEB liability	(13,032,779)
Deferred outflow - payments subsequent to measurement date	86,392
Restated net position June 30, 2017	($45,206,706)

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.

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Required Supplementary Information

AURORA CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST FIVE FISCAL YEARS (1)

School Employees Retirement System (SERS) of Ohio	2018	2017	2016	2015
School District's proportion of the net pension liability	0.157742%	0.159340%	0.159136%	0.160392%
School District's proportionate share of the net pension liability	$ 9,424,724	$ 11,662,232	$ 9,080,437	$ 8,117,348
School District's covered employee payroll	$ 4,996,014	$ 4,922,350	$ 4,767,246	$ 4,631,991
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	188.64%	236.92%	190.48%	175.25%
Plan fiduciary net position as a percentage of total pension liability	69.50%	62.98%	69.16%	71.70%

State Teachers Retirement System (STRS) of Ohio	2018	2017	2016	2015
School District's proportion of the net pension liability	0.1564825%	0.1577322%	0.1544142%	0.1517262%
School District's proportionate share of the net pension liability	$ 37,159,930	$ 52,797,725	$ 42,675,568	$ 36,905,053
School District's covered employee payroll	$ 17,400,029	$ 16,729,636	$ 16,372,950	$ 15,707,054
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	213.56%	315.59%	260.65%	234.96%
Plan fiduciary net position as a percentage of total pension liability	75.30%	66.80%	72.10%	74.70%

(1) Ten years of information will be presented as information becomes available. Information prior to 2014 is not available.
The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

2014
0.160392%
$ 9,537,997
$ 4,683,244
203.66%
65.52%

2014
0.1517262%
$ 43,961,058
$ 14,955,754
293.94%
69.30%

AURORA CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS - PENSION
LAST SIX FISCAL YEARS (1)

	2018	2017	2016	2015	2014
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution	$ 691,106	$ 699,442	$ 689,129	$ 628,323	$ 641,994
Contributions in relation to contractually required contribution	(691,106)	(699,442)	(689,129)	(628,323)	(641,994)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered employee payroll	$ 5,119,304	$ 4,996,014	$ 4,922,350	$ 4,767,246	$ 4,631,991
Contributions as a percentage of covered employee payroll	13.50%	14.00%	14.00%	13.18%	13.86%

	2018	2017	2016	2015	2014
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	$ 2,506,839	$ 2,436,004	$ 2,342,149	$ 2,292,213	$ 2,041,917
Contributions in relation to contractually required contribution	(2,506,839)	(2,436,004)	(2,342,149)	(2,292,213)	(2,041,917)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered employee payroll	$ 17,905,993	$ 17,400,029	$ 16,729,636	$ 16,372,950	$ 15,707,054
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	14.00%	13.00%

(1) Ten years of information will be presented as information becomes available. Information prior to 2013 is not available.

2013
$ 648,161
(648,161)
$ -
$ 4,683,244
13.84%

2013
$ 1,944,248
(1,944,248)
$ -
$ 14,955,754
13.00%

AURORA CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TWO FISCAL YEARS (1)

	2018	2017
School Employees Retirement System (SERS) of Ohio		
School District's proportion of the net OPEB liability	0.1599069%	0.1612850%
School District's proportionate share of the net OPEB liability	$ 4,291,481	$ 4,597,219
School District's covered employee payroll	$ 4,996,014	$ 4,922,350
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	85.90%	93.39%
Plan fiduciary net position as a percentage of total OPEB liability	12.46%	11.49%

	2018	2017
State Teachers Retirement System (STRS) of Ohio		
School District's proportion of the net OPEB liability	0.1564825%	0.1577322%
School District's proportionate share of the net OPEB liability	$ 6,103,264	$ 8,435,560
School District's covered employee payroll	$ 17,400,029	$ 16,729,636
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	35.08%	50.42%
Plan fiduciary net position as a percentage of total OPEB liability	47.10%	37.30%

(1) Ten years of information will be presented as information becomes available. Information prior to 2017 is not available. The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

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AURORA CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS - OPEB
LAST SIX FISCAL YEARS (1)

	2018	2017	2016	2015
School Employees Retirement System (SERS) of Ohio				
Contractually required contribution (2)	$ 105,675	$ 86,392	$ 80,081	$ 118,689
Contributions in relation to contractually required contribution	(105,675)	(86,392)	(80,081)	(118,689)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School District covered employee payroll	$ 5,119,304	$ 4,996,014	$ 4,922,350	$ 4,767,246
Contributions as a percentage of covered employee payroll	2.06%	1.73%	1.63%	2.49%

	2018	2017	2016	2015
State Teachers Retirement System (STRS) of Ohio				
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School District covered employee payroll	$ 17,905,993	$ 17,400,029	$ 16,729,636	$ 16,372,950
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%

(1) Ten years of information will be presented as information becomes available. Information prior to 2013 is not available.
(2) Includes surcharge

2014	2013
$ 82,298	$ 76,767
(82,298)	(76,767)
$ -	$ -
$ 4,631,991	$ 4,683,244
1.78%	1.64%

2014	2013
$ 157,071	$ 149,558
(157,071)	(149,558)
$ -	$ -
$ 15,707,054	$ 14,955,754
1.00%	1.00%

Net Pension Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2018. See the notes to the basic financials for benefit terms.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2018. See the notes to the basic financials for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018. See the notes to the basic financials for the methods and assumptions in this calculation.

Net OPEB Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2018. See the notes to the basic financials for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018. See the notes to the basic financials for the methods and assumptions in this calculation.

AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY

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

Federal Grantor/ *Pass Through Grantor/* **Program Title**	**Pass Through Entity Number**	**Federal CFDA Number**	**Receipts**	**Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance:				
Food Donation Program	N/A	10.555	$ 25,552	$ 25,552
Cash Assistance:				
National School Lunch Program	049171-3L60-18	10.555	108,767	108,767
Total Child Nutrition Cluster			134,319	134,319
Total U.S. Department of Agriculture - Child Nutrition Cluster			134,319	134,319
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Title I, Grants to Local Educational Agencies	049171-3M00-17	84.010	32,167	32,194
Title I, Grants to Local Educational Agencies	049171-3M00-18	84.010	120,472	122,483
Total Title I			152,639	154,677
Special Education Cluster:				
Special Education-Grants to States, IDEA-B	049171-3M20-17	84.027	60,005	45,703
Special Education-Grants to States, IDEA-B	049171-3M20-18	84.027	466,642	471,553
			526,647	517,256
Preschool Program	049171-3C50-17	84.173	1,695	185
Preschool Program	049171-3C50-18	84.173	6,675	6,831
			8,370	7,016
Total Special Education Cluster			535,017	524,272
Improving Teacher Quality State Grants, Title II-A	049171-3Y60-17	84.367	5,576	5,578
Improving Teacher Quality State Grants, Title II-A	049171-3Y60-18	84.367	41,354	41,927
Total Improving Teacher Quality			46,930	47,505
Title IV-A Student Support and Academic Enrichment Program	049171-3HI0-18	84.424	5,880	7,747
Passed Through Northeast Ohio Educational Service Center				
Title III, Limited English Proficiency	N/A	84.365	3,514	33
Title III, Limited English Proficiency	N/A	84.365	5,700	4,239
Total Title III			9,214	4,272
Total U.S. Department of Education			749,680	738,473
Total Federal Financial Assistance			$883,999	$ 872,792

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

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

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of the Aurora 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

Aurora City School District
Portage County
102 East Garfield Road
Aurora, Ohio 44202

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Aurora City School District, Portage 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 February 25, 2019 wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.*

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

February 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

Aurora City School District
Portage County
102 East Garfield Road
Aurora, Ohio 44202

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Aurora 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 Aurora 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, Aurora 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

February 25, 2019

AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	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):**	Special Education Cluster
(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

AURORA CITY SCHOOL DISTRICT

PORTAGE 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 12, 2019