

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Bowling Green City School District
137 Clough Street
Bowling Green, Ohio 43402

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

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 7, 2019

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**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Bowling Green City School District
Wood County
137 Clough Street
Bowling Green, Ohio 43402

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 business-type activities, each major fund, and the aggregate remaining fund information of the Bowling Green City School District, Wood County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis, required budgetary comparison schedule*, 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 Information


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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, on our consideration of the Bowling Green City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bowling Green City School District's internal control over financial reporting and compliance.



**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position increased \$17,145,358. Net position of governmental activities increased \$17,241,051, which represents a 59.34% increase from 2017 restated deficit balance of \$29,056,726. Net position of business-type activities decreased \$95,693 or 10.33% from 2017 restated deficit balance of \$926,426.
- General revenues accounted for \$32,181,676 in revenue or 88.59% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$4,145,142 or 11.41% of total governmental activities revenues of \$36,326,818.
- The District had \$19,085,767 in expenses related to governmental activities; only \$4,145,142 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of \$32,181,676 were used to provide for these programs.
- The District's major governmental funds are the general fund and the building fund. The general fund had \$32,067,260 in revenues and other financing sources and \$30,896,563 in expenditures and other financing uses. The fund balance of the general fund increased from a balance of \$17,684,095 to \$18,854,792.
- The building fund had \$4,477,770 in other financing sources and \$4,023,047 in expenditures. The fund balance of the building fund increased from a balance of \$2,211 to \$456,934.

Using this Financial Report

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's 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 District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operations and maintenance, pupil transportation and extracurricular activities.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service operation fund is included in business-type activities.

The District's statement of net position and statement of activities can be found on pages 14-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader 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 basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary Fund

The District uses the enterprise fund to report activities that use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The proprietary fund financial statements can be found on pages 21-23 of this report.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-65 of this report.

Required Supplemental Information

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) for the general fund is provided on pages 66-67 of this report. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net position liability and net OPEB liability. The required supplementary information can be found on pages 68-81 of this report.

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**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
<u>Assets</u>						
Current assets	\$ 39,159,003	\$ 36,604,560	\$ 515,305	\$ 502,836	\$ 39,674,308	\$ 37,107,396
Capital assets, net	33,125,806	30,385,769	81,206	65,618	33,207,012	30,451,387
Total assets	<u>72,284,809</u>	<u>66,990,329</u>	<u>596,511</u>	<u>568,454</u>	<u>72,881,320</u>	<u>67,558,783</u>
<u>Deferred outflows of resources</u>						
Unamortized deferred charges on debt refunding	1,489,457	1,579,727	-	-	1,489,457	1,579,727
Pension	11,327,225	9,317,191	973,771	308,264	12,300,996	9,625,455
OPEB	449,303	66,681	337,861	8,962	787,164	75,643
Total deferred outflows of resources	<u>13,265,985</u>	<u>10,963,599</u>	<u>1,311,632</u>	<u>317,226</u>	<u>14,577,617</u>	<u>11,280,825</u>
<u>Liabilities</u>						
Current liabilities	2,658,173	2,543,612	66,444	48,668	2,724,617	2,592,280
Long-term liabilities:						
Due within one year	1,101,917	849,946	-	-	1,101,917	849,946
Due in more than one year:						
Net pension liability	36,436,454	50,519,159	1,864,211	1,221,022	38,300,665	51,740,181
Other amounts	29,596,274	26,268,734	45,849	63,034	29,642,123	26,331,768
Net OPEB liability	7,872,851	10,186,822	860,936	479,382	8,733,787	10,666,204
Total liabilities	<u>77,665,669</u>	<u>90,368,273</u>	<u>2,837,440</u>	<u>1,812,106</u>	<u>80,503,109</u>	<u>92,180,379</u>
<u>Deferred inflows of resources</u>						
Property taxes levied for the next fiscal year	14,901,559	14,258,734	-	-	14,901,559	14,258,734
Pension	3,588,273	2,383,647	8,851	-	3,597,124	2,383,647
OPEB	1,210,968	-	83,971	-	1,294,939	-
Total deferred inflows of resources	<u>19,700,800</u>	<u>16,642,381</u>	<u>92,822</u>	<u>-</u>	<u>19,793,622</u>	<u>16,642,381</u>
<u>Net Position</u>						
Net investment in capital assets	5,842,257	6,560,504	81,206	65,618	5,923,463	6,626,122
Restricted	2,328,067	1,776,921	-	-	2,328,067	1,776,921
Unrestricted (deficit)	<u>(19,985,999)</u>	<u>(37,394,151)</u>	<u>(1,103,325)</u>	<u>(992,044)</u>	<u>(21,089,324)</u>	<u>(38,386,195)</u>
Total net position (deficit)	<u>\$ (11,815,675)</u>	<u>\$ (29,056,726)</u>	<u>\$ (1,022,119)</u>	<u>\$ (926,426)</u>	<u>\$ (12,837,794)</u>	<u>\$ (29,983,152)</u>

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

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the 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 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 for governmental activities at June 30, 2017, from (\$18,936,585) to (\$29,056,726). Business-Type activities restated net position at June 30, 2017, from (\$456,006) to (\$926,426).

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The table below shows the change in net position for fiscal years 2018 and 2017. The net position at June 30, 2018 has been restated as described in Note 3.A.

Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,296,612	\$ 907,309	\$ 487,758	\$ 464,603	\$ 1,784,370	\$ 1,371,912
Operating grants and contributions	2,848,530	3,018,023	682,080	803,119	3,530,610	3,821,142
Capital grants and contributions	-	36	-	-	-	36
General revenues:						
Property taxes	18,178,234	20,165,599	-	-	18,178,234	20,165,599
Income taxes	3,685,444	3,466,307	-	-	3,685,444	3,466,307
Grants and entitlements not restricted	9,769,912	10,221,716	-	-	9,769,912	10,221,716
Investment earnings	275,853	110,533	548	648	276,401	111,181
Miscellaneous	272,233	144,473	263	389	272,496	144,862
Total revenues	36,326,818	38,033,996	1,170,649	1,268,759	37,497,467	39,302,755
Expenses						
Program expenses:						
Instruction	7,603,760	21,287,768	-	-	7,603,760	21,287,768
Support services	8,880,127	11,422,711	-	-	8,880,127	11,422,711
Operation of non-instructional services	553,589	825,405	-	-	553,589	825,405
Extracurricular activities	957,846	970,994	-	-	957,846	970,994
Interest and fiscal charges	1,090,445	930,896	-	-	1,090,445	930,896
Food service	-	-	1,266,342	1,290,123	1,266,342	1,290,123
Total expenses	19,085,767	35,437,774	1,266,342	1,290,123	20,352,109	36,727,897
Changes in net position	17,241,051	2,596,222	(95,693)	(21,364)	17,145,358	2,574,858
Net position at beginning of year(restated)	(29,056,726)	N/A	(926,426)	N/A	(29,983,152)	N/A
Net position at end of year	<u>\$ (11,815,675)</u>	<u>\$ (29,056,726)</u>	<u>\$ (1,022,119)</u>	<u>\$ (926,426)</u>	<u>\$ (12,837,794)</u>	<u>\$ (29,983,152)</u>

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 \$75,643 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 \$12,454,220. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 20,352,109
Negative OPEB expense under GASB 75	12,454,220
2018 contractually required contributions	<u>73,551</u>
Adjusted 2018 program expenses	32,879,880
Total 2017 program expenses under GASB 45	<u>36,727,897</u>
Decrease in program expenses not related to OPEB	<u>\$ (3,848,017)</u>

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Activities

Net position of the District's governmental activities increased \$17,241,051 over the restated deficit balance of \$29,056,726. Total governmental expenses of \$19,085,767 were offset by program revenues of \$4,145,142 and general revenues of \$32,181,676. Program revenues supported 21.72% of the total governmental expenses.

Expenses of the governmental activities decreased \$16,352,007 or 46.14%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$12,341,825) in pension expense and (\$1,254,089) in OPEB expense mainly due to these benefit changes.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 87.08% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,603,760 or 39.84% of total governmental expenses for fiscal year 2018.

The statement of activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2018 and 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Program expenses:				
Instruction	\$ 7,603,760	\$ 4,342,435	\$ 21,287,768	\$ 18,478,474
Support services	8,880,127	8,744,989	11,422,711	11,137,999
Operation of non-instructional services	553,589	104,262	825,405	311,170
Extracurricular activities	957,846	658,494	970,994	653,867
Interest and fiscal charges	<u>1,090,445</u>	<u>1,090,445</u>	<u>930,896</u>	<u>930,896</u>
Total expenses	<u>\$ 19,085,767</u>	<u>\$ 14,940,625</u>	<u>\$ 35,437,774</u>	<u>\$ 31,512,406</u>

The dependence upon tax revenues during fiscal year 2018 for governmental activities is apparent, as 57.11% of 2018 instruction activities are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

Business-Type Activities

Business-type activities include food service operations. These programs had revenues of \$1,170,649 and expenses of \$1,266,342 for fiscal year 2018. The District's business-type activities do not receive support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$21,233,420 which is \$1,698,066 more than last year's total of \$19,535,254. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Fund Balance</u> <u>June 30, 2018</u>	<u>Fund Balance</u> <u>June 30, 2017</u>	<u>Change</u>
General	\$ 18,854,792	\$ 17,684,095	\$ 1,170,697
Building	456,934	2,211	454,723
Other governmental	<u>1,921,694</u>	<u>1,849,048</u>	<u>72,646</u>
 Total	 <u>\$ 21,233,420</u>	 <u>\$ 19,535,354</u>	 <u>\$ 1,698,066</u>

General Fund

The District's general fund balance increased \$1,170,697 during fiscal year 2018 because of the net growth in assets. The table that follows assists in illustrating the revenues of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 19,814,342	\$ 21,502,218	(7.85) %
Intergovernmental	10,678,699	11,067,943	(3.52) %
Tuition and fees	839,050	604,893	38.71 %
Interest	235,929	115,866	103.62 %
Extracurricular activities	37,836	31,891	18.64 %
Other revenues	<u>457,004</u>	<u>159,987</u>	185.65 %
 Total	 <u>\$ 32,062,860</u>	 <u>\$ 33,482,798</u>	 (4.24) %

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 19,463,115	\$ 18,961,716	2.64 %
Support services	10,621,134	10,381,139	2.31 %
Operation of non-instructional services	92,652	283,877	(67.36) %
Extracurricular activities	682,727	664,476	2.75 %
Facilities acquisition and construction	<u>20,861</u>	<u>50,194</u>	(58.44) %
 Total	 <u>\$ 30,880,489</u>	 <u>\$ 30,341,402</u>	 1.78 %

Building Fund

The building fund had \$4,477,770 in other financing sources and \$4,023,047 in expenditures. During fiscal year 2018, the building fund balance increased \$454,723 from a balance of \$2,211 to a balance of \$456,934.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the District amended its general fund budget. These amendments were necessitated by classroom safety modifications and an increase in Jon Peterson Scholarships.

For the general fund, final budgeted revenues and other financing sources were \$2,764,146 below actual revenues and other financing sources of \$32,480,332. The original budgeted revenues and other financing sources of \$30,108,182 were \$391,996 higher than final budgeted revenues and other financing sources of \$29,716,186.

General fund final appropriations and other financing uses were \$33,635,412. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled \$31,467,529, which was \$2,167,883 less than the final budget appropriations. The final appropriations were \$391,644 greater than the original appropriations of \$33,243,768.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$33,207,012 invested in land, buildings/improvements, furniture/equipment, vehicles, and construction in progress. The Middle School addition was nearing completion at the close of fiscal year 2018. \$33,125,806 was reported in the governmental activities and \$81,206 was reported in the business-type activities. The following table shows fiscal year 2018 balances compared to 2017:

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 278,664	\$ 278,664	\$ -	\$ -	\$ 278,664	\$ 278,664
Building/improvements	27,195,916	28,244,341	-	-	27,195,916	28,244,341
Furniture/equipment	751,022	777,596	77,790	59,421	828,812	837,017
Vehicles	926,224	914,120	3,416	6,197	929,640	920,317
Construction in progress	3,973,980	171,048	-	-	3,973,980	171,048
Total	\$ 33,125,806	\$ 30,385,769	\$ 81,206	\$ 65,618	\$ 33,207,012	\$ 30,451,387

See Note 8 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2018 the District had \$26,180,000 in general obligation bonds. Of this total debt outstanding, \$860,000 is due within one year and \$25,320,000 is due in more than one year. The following table summarizes the bonds and notes outstanding:

Outstanding Debt at June 30

	Governmental Activities 2018	Governmental Activities 2017
General obligation bonds	\$ 26,180,000	\$ 22,660,000
Total	\$ 26,180,000	\$ 22,660,000

See Note 9 to the basic financial statements for detail on the District's debt administration.

Economic Factors

The latest five-year forecast in May, 2018 projected a positive cash balance through fiscal year 2019. However, the long term financial stability of the District is not without challenges.

With the Great Recession behind us, there are still some lingering effects with respect to interest rates although they are beginning to slowly increase.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

In Ohio, property revaluations are performed every six years with an update every three years. Wood County completed a triennial update in 2014. Agricultural property valuations saw significant increases. The District received additional tax revenue from inside/unvoted millage as a result. A reappraisal in 2018 reduced these agricultural land valuations but increased agricultural and residential building values resulting in an overall increase in assessed valuations for the District. This overall increase should again produce some increase in tax revenue from inside/unvoted millage.

State foundation funding had remained flat for years for Bowling Green City School District. Assessed local property values factor into this funding. Because property values in the District had increased over the years, the foundation formula assumed that property taxes also increased thereby reducing the District's need for state funding. However, property taxes do not actually grow with increased property values. State foundation funding declined beginning in fiscal year 2010. Finally, in 2014 a new funding formula was developed and Bowling Green City Schools actually saw an increase that brought our state foundation funding back up to the 1998 level that had been received prior to 2010. Additional increases were realized in fiscal years 2017 and 2018 while fiscal year 2018 funding should remain relatively stable.

Significant changes were implemented in the tax structure by the Ohio General Assembly beginning in fiscal year 2006. To summarize, tangible personal property tax was phased out and replaced with "hold harmless" TPP reimbursement payments to replace these revenues. These reimbursements were scheduled to be phased out, and were at a rate of 2% of the District's total revenues for each of fiscal year 2012 and 2013. The state biennial budget for 2014 and 2015 sustained the reimbursement amount from 2013. The state budget bill for fiscal years 2017 and 2018 as passed by the General Assembly reinstated a phase-out of the reimbursement. Later the General Assembly passed SB 208 that provided a supplement for fiscal years 2017 and 2018 such that no school district would receive less overall state funding than it had in 2015. However, Bowling Green City Schools' revenues have increased such that it is no longer eligible for a supplement.

Funding provided by each biennial state budget is subject to change and poses a challenge for all school districts in projecting future cash flows.

The Board of Education and the Administration of the Bowling Green City School District have committed themselves to providing a sound educational program for the citizens of the District. Accordingly, facilities, programs and operational practices have been and will continue to be under constant review to determine what, if any, changes are needed. To that end, instructional and curriculum staff have been added. In July, 2017, the Board approved a \$4.4 million addition to the Middle School for which Certificates of Participation will be issued to finance the project. Also during that summer, the Board approved a \$71,990,000 (6.0 Mill) bond levy for the November 2017 ballot for High School Renovations/Addition and a consolidated elementary building. After passage failed in November, the Board approved a \$71,990,000 (5.7 Mill) bond levy for the May 2018 ballot to be used for the same renovation, addition, and consolidation plan. After a second failed passage, the Board established both a Financial Task Force and Facilities Task Force Committee in order to develop an extensive community driven plan that is expected to be presented to the Board of Education, once developed.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Cathy Schuller, Treasurer, Bowling Green City School District, 137 Clough Street, Bowling Green, Ohio 43402.

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**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash, cash equivalents and investments.	\$ 18,597,564	\$ 498,829	\$ 19,096,393
Cash in segregated accounts	4,000	-	4,000
Receivables:			
Property taxes	18,651,922	-	18,651,922
Income taxes.	1,600,681	-	1,600,681
Accounts.	7,268	-	7,268
Accrued interest	61,830	-	61,830
Intergovernmental	69,710	-	69,710
Prepayments	141,051	1,052	142,103
Materials and supplies inventory.	24,977	15,424	40,401
Capital assets:			
Nondepreciable capital assets	4,252,644	-	4,252,644
Depreciable capital assets, net.	28,873,162	81,206	28,954,368
Capital assets, net	<u>33,125,806</u>	<u>81,206</u>	<u>33,207,012</u>
Total assets.	<u>72,284,809</u>	<u>596,511</u>	<u>72,881,320</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	1,489,457	-	1,489,457
Pension	11,327,225	973,771	12,300,996
OPEB	449,303	337,861	787,164
Total deferred outflows of resources	<u>13,265,985</u>	<u>1,311,632</u>	<u>14,577,617</u>
Liabilities:			
Accounts payable.	57,324	7,624	64,948
Contracts payable.	423,837	-	423,837
Accrued wages and benefits payable	1,747,668	37,900	1,785,568
Intergovernmental payable	110,423	298	110,721
Pension and postemployment obligation payable.	226,638	20,622	247,260
Accrued interest payable	92,283	-	92,283
Long-term liabilities:			
Due within one year.	1,101,917	-	1,101,917
Due in more than one year:			
Net pension liability.	36,436,454	1,864,211	38,300,665
Other amounts due in more than one year .	29,596,274	45,849	29,642,123
Net OPEB liability.	7,872,851	860,936	8,733,787
Total liabilities	<u>77,665,669</u>	<u>2,837,440</u>	<u>80,503,109</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	14,901,559	-	14,901,559
Pension	3,588,273	8,851	3,597,124
OPEB.	1,210,968	83,971	1,294,939
Total deferred inflows of resources	<u>19,700,800</u>	<u>92,822</u>	<u>19,793,622</u>
Net position:			
Net investment in capital assets	5,842,257	81,206	5,923,463
Restricted for:			
Capital projects	919,564	-	919,564
Permanent fund - expendable	8,141	-	8,141
Permanent fund - nonexpendable	102,867	-	102,867
Debt service.	1,005,311	-	1,005,311
Locally funded programs	79,776	-	79,776
State funded programs.	39,180	-	39,180
Federally funded programs	17,602	-	17,602
Student activities	130,870	-	130,870
Other purposes	24,756	-	24,756
Unrestricted (deficit)	<u>(19,985,999)</u>	<u>(1,103,325)</u>	<u>(21,089,324)</u>
Total net position (deficit)	<u>\$ (11,815,675)</u>	<u>\$ (1,022,119)</u>	<u>\$ (12,837,794)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Instruction.	\$ 7,603,760	\$ 1,015,784	\$ 2,245,541
Support services.	8,880,127	8,037	127,101
Non-instructional.	553,589	-	449,327
Extracurricular activities.	957,846	272,791	26,561
Interest and fiscal charges	1,090,445	-	-
Total governmental activities	<u>19,085,767</u>	<u>1,296,612</u>	<u>2,848,530</u>
Business-type activities:			
Food service.	1,266,342	487,758	682,080
Total business-type activities	<u>1,266,342</u>	<u>487,758</u>	<u>682,080</u>
Totals	<u>\$ 20,352,109</u>	<u>\$ 1,784,370</u>	<u>\$ 3,530,610</u>
General revenues:			
Property taxes levied for:			
General purposes			
Debt service.			
Capital outlay.			
Income taxes levied for:			
General purposes			
Grants and entitlements not restricted to specific programs			
Investment earnings			
Miscellaneous			
Total general revenues			
Change in net position			
Net position (deficit) at beginning of year (restated)			
Net position (deficit) at end of year.			

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (4,342,435)	\$ -	\$ (4,342,435)
(8,744,989)	-	(8,744,989)
(104,262)	-	(104,262)
(658,494)	-	(658,494)
(1,090,445)	-	(1,090,445)
<u>(14,940,625)</u>	<u>-</u>	<u>(14,940,625)</u>
-	(96,504)	(96,504)
-	(96,504)	(96,504)
<u>(14,940,625)</u>	<u>(96,504)</u>	<u>(15,037,129)</u>
16,201,634	-	16,201,634
1,509,575	-	1,509,575
467,025	-	467,025
3,685,444	-	3,685,444
9,769,912	-	9,769,912
275,853	548	276,401
272,233	263	272,496
<u>32,181,676</u>	<u>811</u>	<u>32,182,487</u>
17,241,051	(95,693)	17,145,358
(29,056,726)	(926,426)	(29,983,152)
<u>\$ (11,815,675)</u>	<u>\$ (1,022,119)</u>	<u>\$ (12,837,794)</u>

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Building	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash, cash equivalents and investments	\$ 16,129,658	\$ 880,771	\$ 1,587,135	\$ 18,597,564
Cash in segregated accounts	4,000	-	-	4,000
Receivables:				
Property taxes	16,629,487	-	2,022,435	18,651,922
Income taxes	1,600,681	-	-	1,600,681
Accounts	5,198	-	2,070	7,268
Accrued interest	61,830	-	-	61,830
Intergovernmental	45,159	-	24,551	69,710
Prepayments	140,733	-	318	141,051
Materials and supplies inventory	24,977	-	-	24,977
Due from other funds	77,480	-	-	77,480
Total assets	\$ 34,719,203	\$ 880,771	\$ 3,636,509	\$ 39,236,483
Liabilities:				
Accounts payable	\$ 51,167	\$ -	\$ 6,157	\$ 57,324
Contracts payable	-	423,837	-	423,837
Accrued wages and benefits payable	1,745,445	-	2,223	1,747,668
Compensated absences payable	27,549	-	-	27,549
Intergovernmental payable	110,391	-	32	110,423
Pension and postemployment obligation payable	225,746	-	892	226,638
Due to other funds	-	-	77,480	77,480
Total liabilities	2,160,298	423,837	86,784	2,670,919
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	13,300,170	-	1,601,389	14,901,559
Delinquent property tax revenue not available	112,418	-	13,188	125,606
Income tax revenue not available	254,304	-	-	254,304
Intergovernmental revenue not available	-	-	13,454	13,454
Accrued interest not available	37,221	-	-	37,221
Total deferred inflows of resources	13,704,113	-	1,628,031	15,332,144
Fund balances:				
Nonspendable:				
Materials and supplies inventory	24,977	-	-	24,977
Prepays	140,733	-	318	141,051
Permanent fund	-	-	102,867	102,867
Restricted:				
Debt service	-	-	1,087,611	1,087,611
Capital improvements	-	456,934	492,522	949,456
Non-public schools	-	-	46,792	46,792
Targeted academic assistance	-	-	1	1
Extracurricular	-	-	130,870	130,870
Other purposes	-	-	128,454	128,454
Committed:				
Termination benefits	886,714	-	-	886,714
Assigned:				
Student instruction	103,003	-	-	103,003
Student and staff support	143,105	-	-	143,105
Unassigned (deficit)	17,556,260	-	(67,741)	17,488,519
Total fund balances	18,854,792	456,934	1,921,694	21,233,420
Total liabilities, deferred inflows and fund balances	\$ 34,719,203	\$ 880,771	\$ 3,636,509	\$ 39,236,483

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

Total governmental fund balances		\$	21,233,420
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			33,125,806
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	125,606	
Income taxes receivable		254,304	
Accrued interest receivable		37,221	
Intergovernmental receivable		13,454	
Total		430,585	430,585
Unamortized premiums on bonds issued are not recognized in the funds.			(2,626,103)
Unamortized deferred charges on refundings are not recognized in the funds.			1,489,457
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(92,283)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(22,020,000)	
Certificates of participation		(4,160,000)	
Compensated absences		(1,864,539)	
Total		(28,044,539)	(28,044,539)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - Pension		11,327,225	
Deferred Inflows - Pension		(3,588,273)	
Net pension liability		(36,436,454)	
Total		(28,697,502)	(28,697,502)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - OPEB		449,303	
Deferred Inflows - OPEB		(1,210,968)	
Net OPEB liability		(7,872,851)	
Total		(8,634,516)	(8,634,516)
Net position of governmental activities		\$	(11,815,675)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

	<u>General</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 16,161,060	\$ -	\$ 1,972,105	\$ 18,133,165
Income taxes	3,653,282	-	-	3,653,282
Tuition	832,113	-	-	832,113
Transportation fees	6,937	-	-	6,937
Earnings on investments	235,929	-	28,695	264,624
Extracurricular	37,836	-	234,977	272,813
Classroom materials and fees	183,671	-	5	183,676
Rental income	1,100	-	-	1,100
Other local revenues	272,233	-	83,522	355,755
Intergovernmental - intermediate	-	-	15,850	15,850
Intergovernmental - state	10,657,555	-	596,902	11,254,457
Intergovernmental - federal	21,144	-	1,229,798	1,250,942
Total revenues	<u>32,062,860</u>	<u>-</u>	<u>4,161,854</u>	<u>36,224,714</u>
Expenditures:				
Current:				
Instruction	19,463,115	-	1,229,093	20,692,208
Support services	10,621,134	-	68,612	10,689,746
Non-instructional services	92,652	-	451,063	543,715
Extracurricular activities	682,727	-	248,832	931,559
Facilities acquisition and construction	20,861	3,973,980	261,699	4,256,540
Debt service:				
Principal retirement	-	-	865,000	865,000
Interest and fiscal charges	-	-	1,014,860	1,014,860
Bond issuance costs	-	49,067	79,617	128,684
Total expenditures	<u>30,880,489</u>	<u>4,023,047</u>	<u>4,218,776</u>	<u>39,122,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,182,371</u>	<u>(4,023,047)</u>	<u>(56,922)</u>	<u>(2,897,598)</u>
Other financing sources:				
Premium on bonds	-	92,770	113,494	206,264
Sale of bonds	-	4,385,000	-	4,385,000
Sale of assets	4,400	-	-	4,400
Transfers in	-	-	16,074	16,074
Transfers (out)	<u>(16,074)</u>	<u>-</u>	<u>-</u>	<u>(16,074)</u>
Total other financing sources	<u>(11,674)</u>	<u>4,477,770</u>	<u>129,568</u>	<u>4,595,664</u>
Net change in fund balances	1,170,697	454,723	72,646	1,698,066
Fund balances at beginning of year	17,684,095	2,211	1,849,048	19,535,354
Fund balances at end of year	<u>\$ 18,854,792</u>	<u>\$ 456,934</u>	<u>\$ 1,921,694</u>	<u>\$ 21,233,420</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

Net change in fund balances - total governmental funds	\$	1,698,066
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 4,162,764	
Current year depreciation	(1,402,491)	
Total		2,760,273
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(20,236)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	45,069	
Income taxes	32,162	
Earnings on investments	11,419	
Intergovernmental	13,454	
Total		102,104
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		865,000
Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(4,385,000)
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
		(206,264)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(10,736)	
Amortization of bond premiums	154,105	
Amortization of deferred charges	(90,270)	
Total		53,099
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		271
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		2,433,893
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		12,454,220
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		73,551
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as pension expense in the statement of activities.		
		1,412,074
Change in net position of governmental activities	\$	17,241,051

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

		Business-Type Activity - Food Service
Assets:		
Equity in pooled cash and cash equivalents	\$	498,829
Prepayments		1,052
Materials and supplies inventory.		15,424
		515,305
Total current assets		
Noncurrent assets:		
Depreciable capital assets, net		81,206
		596,511
Total assets.		
Deferred outflows of resources:		
Pension.		973,771
OPEB.		337,861
		1,311,632
Total deferred outflows of resources		
Liabilities:		
Accounts payable.		7,624
Accrued wages and benefits		37,900
Pension and postemployment obligation payable.		20,622
Intergovernmental payable		298
		66,444
Total current liabilities		
Long-term liabilities:		
Compensated absences payable.		45,849
Net pension liability.		1,864,211
Net OPEB liability.		860,936
		2,770,996
Total long-term liabilities		
		2,837,440
Total liabilities		
Deferred inflows of resources:		
Pension.		8,851
OPEB.		83,971
		92,822
Total deferred inflows of resources		
		2,930,262
Total liabilities and deferred inflows of resources		
Net position:		
Investment in capital assets		81,206
Unrestricted (deficit).		(1,103,325)
		(1,022,119)
Total net position (deficit).		
	\$	(1,022,119)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

	<u>Business-Type Activity</u>	
	<u>Food Service</u>	
Operating revenues:		
Sales	\$	487,758
Other		263
Total operating revenues		<u>488,021</u>
Operating expenses:		
Personal services		724,801
Purchased services		13,226
Materials and supplies		445,818
Cost of sales		52,496
Depreciation		14,432
Other		15,569
Total operating expenses		<u>1,266,342</u>
Operating loss		<u>(778,321)</u>
Nonoperating revenues:		
Grants and subsidies		629,584
Interest revenue		548
Federal donated commodities		52,496
Total nonoperating revenues		<u>682,628</u>
Change in net position		(95,693)
Net position (deficit) at beginning of year (restated)		<u>(926,426)</u>
Net position (deficit) at end of year	\$	<u>(1,022,119)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

	Business-Type	
	Activities -	
	Food	
	Service	
Cash flows from operating activities:		
Cash received from sales/charges for services.	\$	487,758
Cash received from other operations		263
Cash payments for personal services.		(608,602)
Cash payments for contractual services		(13,226)
Cash payments for materials and supplies		(430,957)
Cash payments for other expenses		(13,462)
		<hr/>
Net cash used in operating activities.		(578,226)
		<hr/>
Cash flows from noncapital financing activities:		
Cash received from grants and subsidies.		692,144
		<hr/>
Net cash provided by noncapital financing activities		692,144
		<hr/>
Cash flows from capital and related financing activities:		
Acquisition of capital assets		(30,020)
		<hr/>
Net cash used in capital and related financing activities.		(30,020)
		<hr/>
Cash flows from investing activities:		
Interest received		548
		<hr/>
Net cash provided by investing activities		548
		<hr/>
Net increase in cash and cash equivalents.		84,446
		<hr/>
Cash and cash equivalents at beginning of year		414,383
Cash and cash equivalents at end of year	\$	498,829
		<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss.	\$	(778,321)
Adjustments:		
Depreciation.		14,432
Federal donated commodities		52,496
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Decrease in materials and supplies inventory		7,310
Decrease in prepayments		2,107
Increase in accounts payable.		7,551
Increase in accrued wages and benefits.		6,287
Increase in intergovernmental payable.		70
Decrease in compensated absences payable.		(17,185)
Increase in pension and postemployment obligation payable.		3,868
Increase in net pension liability		643,189
Increase in net OPEB liability.		381,554
Increase in deferred inflows - pension		8,851
Increase in deferred inflows - OPEB		83,971
Increase in deferred outflows - pension		(665,507)
Increase in deferred outflows - OPEB		(328,899)
		<hr/>
Net cash used in operating activities.	\$	(578,226)
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 98,180
Total assets.	\$ 98,180
Liabilities:	
Accounts payable.	\$ 108
Due to students.	98,072
Total liabilities	\$ 98,180

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 1- DESCRIPTION OF THE SCHOOL DISTRICT

Bowling Green City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311.02, Ohio Revised Code. The District operates under an elected five member Board of Education and is responsible for provision of public education to residents of the District. The District is located in Wood County in northwest Ohio. Its boundaries include all of the City of Bowling Green and portions of surrounding townships.

The District serves 3,073 students and encompasses an area of approximately one hundred eighteen square miles. The District regularly employs 251 licensed/certified employees and 108 non-certified/licensed employees. In addition, the District employed substitute employees to cover the duties of absent bus drivers while contracting with an employment service for all other substitute employees and certain paraprofessionals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity as amended by GASB Statement No. 39 determining whether certain organizations are component units and GASB Statement No. 61 The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34. The financial statements of the reporting entity include those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organization:

Penta Career Center: an Ohio Vocational School District

The Penta Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District. One member of the Bowling Green City Board of Education serves as a member of the Penta Career Center Board of Education.

The District also participates in two insurance group purchasing pools. See Note 11 for further details.

Non-public Schools

Non-public schools located within the District boundaries include: St. Aloysius and St. Louis Elementary Schools, the Montessori School of Bowling Green, and Bowling Green Christian Academy. These non-public schools are operated independently of the District. The District receives and disburses auxiliary services money from the State for support of these non-public schools as directed by these non-public schools. The receipt and expenditure of these auxiliary services monies are accounted for by the District and are reflected in a Special Revenue Fund for financial reporting purposes, but the non-public schools' operations are not reflected in the accompanying financial statements.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major Governmental Funds:

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

Building Fund - The Building Fund is used to account for the receipts and expenditures related to all special bond funds in the district. Proceeds from the sale of bonds are paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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

PROPRIETARY FUNDS

Proprietary Funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Proprietary Funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net position. The following are the District's Proprietary Funds:

Enterprise Funds - The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's major enterprise fund accounts for its food service operation.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The District's only Fiduciary Funds are Agency Funds that are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District's Agency Funds account for student activities and other similar activities.

C. Basis of Presentation and Measurement Focus - Financial Statements

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which Governmental Fund financial statements are prepared. Governmental Fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of Governmental and Enterprise Fund financial statements is on major funds rather than reporting funds by type. The major funds are presented in separate columns. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's enterprise funds are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary and fiduciary fund financial statements measure and report all assets, deferred outflows, liabilities, deferred inflows, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined while "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after the June 30 year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, student fees, property taxes available as an advance and income taxes.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, Proprietary Funds and the Fiduciary Funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they are incurred. The entitlement value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. Grants received before eligibility requirements are met are recorded as deferred inflows on the governmental fund financial statements. The Proprietary Funds receive no revenue from property taxes.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 12 and 13 for deferred outflows of resources related to the District's net pension liability and net OPEB liability, respectively.

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

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred outflows of resources include a deferred loss on debt refunding. A deferred loss 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.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds (except agency) while GASB requires only the general and any major special revenue funds to be reported in the supplementary schedules presenting budgetary information. The specific timetable for fiscal year 2018 is as follows:

1. Pursuant to Section 5705.281, ORC, the Wood County Budget Commission has waived the requirement for school districts to adopt a tax budget. In place of the tax budget, the District must submit an estimate of revenues for the fiscal year commencing the following July 1 for all funds by no later than January 20 of the preceding fiscal year.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must prepare a budget in which total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. This budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary schedule reflect the amounts set forth in the Amended Official Certificate of Estimated Resources and the final Amended Certificate issued for fiscal year 2018.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education. While the District uses an expenditure account coding system consisting of a minimum of fund number, a four digit function, and a three digit object, the Board adopted appropriation is at the fund and first digit of function level of expenditures for the General Fund and at the fund level for all other district funds. These are considered the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation or alter first digit function appropriations within the General Fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2018.
7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, first digit function level for the General fund and the fund level for all other funds.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental funds, encumbrances outstanding at year-end appear as a commitment or assignment of the fund balance on the balance sheet and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments

Cash received by the District is pooled with individual fund balance integrity maintained. Monies for all funds are maintained in this pool or temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired by the District) which are stated at cost. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements. Under existing Ohio statutes, all investment earnings are credited to the General Fund except those specified according to Board Resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest revenue credited to the General fund during fiscal year 2018 amounted to \$235,929 while interest in the amount of \$28,695 was credited to other District funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations.

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

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

The District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

For purposes of presentation in the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time of purchase by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On the fund financial statements, reported materials and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Prepays

Prepayments for Governmental Funds represent cash disbursements that have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period-end, because prepayment is not available to finance future Governmental Fund expenditures, an amount equal to the carrying value of the asset is classified as nonspendable in the fund balance.

I. Capital Assets and Depreciation

Property, Plant and Equipment - Governmental Activities

Capital assets are acquired or constructed for governmental activities and are recorded as expenditures in the Governmental Funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$3,000 and a useful life of less than five years.

Donated capital assets are recorded at their acquisition value at the date received. The District does not possess any infrastructure. Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by an appraisal company who specializes in this area.

Depreciation

All capital assets, except for land, are depreciated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings and Improvements	20-50
Furniture and Equipment	5-20
Vehicles	5-10

J. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

K. Compensated Absences

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

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. In the Government-wide statement of net position, this liability is recorded in the "Due within one year" liability account with the long-term portion of accumulated absences recorded in the "Due in more than one year" liability account.

L. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of Governmental Funds. In the Government-wide statement of net position, the current portion of general obligation bonds and notes are recorded in the "Due within one year" liability account with the long-term portion of these general obligation bonds and notes recorded in the "Due in more than one year" liability account.

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

M. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, 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.

N. Fund Balance

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned and unassigned) fund balance is available. Similarly, within the 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.

O. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for public school support.

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

P. Interfund Transactions

During the course of normal operations, transactions occur between funds. The most significant include:

Routine transfers of resources from one fund to another through which resources are to be expended are recorded as operating transfers.

Reimbursements from one fund to another are treated as an expenditure/expense in the reimbursing fund and a reduction of expenditure/ expense in the reimbursed fund.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term interfund loans are reflected as due to/due from other funds while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.

Interfund operating transfers and loans are eliminated on the Government-wide statements.

Q. Estimates

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

R. Unamortized Bond Premiums/Deferred Charges on Refunding

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

A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense.

This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

S. Fair Market Value

The 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements and added required supplementary information.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

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

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

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities and business-type activities at July 1, 2017 have been restated as follows:

	Governmental Activities	Business-Type Activities
Net position as previously reported	\$ (18,936,585)	\$ (456,006)
Deferred outflows - payments subsequent to measurement date	66,681	8,962
Net OPEB liability	(10,186,822)	(479,382)
Restated net position at July 1, 2017	\$ (29,056,726)	\$ (926,426)

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

B. Deficit Fund Balances

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

<u>Major fund</u>	<u>Deficit</u>
Food service	\$ 1,022,119
 <u>Nonmajor funds</u>	
Miscellaneous State grants	1,096
Title I	67,375

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

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes require the classification of monies held by the District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must by law be maintained either as cash in the 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 the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

Interim monies are permitted to be deposited or invested in the following securities:

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

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the District has not purchased these types of investments or issued these types of notes.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity.

A. Cash on Hand

At fiscal year end, the District had \$1,674 in undeposited cash on hand which is included on the balance sheet of the District as part of “cash, cash equivalents and investments”.

B. Cash in Segregated Accounts

At June 30, 2018, the District had \$4,000 in athletic checking accounts which is not included in the total “Deposits” in the next paragraph.

C. Deposits

At June 30, 2018, the carrying amount of the District’s deposits was \$2,864,767 and the bank balance was \$3,683,673. Of the entire bank balance, \$1,149,415 was covered by federal depository insurance while \$2,534,258 was exposed to custodial credit risk as described in GASB Statement No. 40 further discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. Financial institutions which have received an extension (the “grace period”) from the Ohio Treasurer of State to participate in the OPCS beyond June 30, 2018 may also pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total market value of the securities so pledged is at least equal to 105% of the total amount of all public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance. For 2018, the District’s financial institutions participated in the OPCS.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

D. Investments

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

Measurement/ Investment type	Measurement Value	Maturities			
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
Fair value:					
FHLMC	\$ 518,380	\$ -	\$ 518,380	\$ -	\$ -
Commercial Paper	5,744,254	5,744,254	-	-	-
Negotiable CDs	5,952,311	1,980,668	-	2,840,577	1,131,066
U.S. Government Money Market	1,047,976	1,047,976	-	-	-
Amortized cost:					
Star Ohio	3,065,211	3,065,211	-	-	-
Total	<u>\$ 16,328,132</u>	<u>\$ 11,838,109</u>	<u>\$ 518,380</u>	<u>\$ 2,840,577</u>	<u>\$ 1,131,066</u>

The weighted average maturity of investments is 0.50 years.

The District's investments in federal agency securities (FHLMC and commercial paper) and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs). The District's investment in U.S. Government money market funds are valued using quoted market prices in active markets (Level 1 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and in accordance with the Ohio Revised Code, the District's investment policy limits investment maturities to five years or less. Commercial paper must mature within 270 days.

Credit Risk: The District's investments in commercial paper were rated P-1 by Moody's Investor Services. The District's investments in U.S. Government money market funds were rated AAAM by Standard & Poor's. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. The District's investment in negotiable CD's are not rated.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk; however, the District minimizes custodial credit risk by utilizing multiple safekeeping agents for its book-entry securities.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer, although Ohio law sets limits on investments in commercial paper. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Fair value:		
FHLMC	\$ 518,380	3.17
Commercial Paper	5,744,254	35.18
Negotiable CDs	5,952,311	36.46
U.S. Government Money Market	1,047,976	6.42
Amortized cost:		
STAR Ohio	<u>3,065,211</u>	<u>18.77</u>
Total	<u>\$ 16,328,132</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation between cash and investments as reported in the preceding paragraphs to that reported on in the statements of net position:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,864,767
Investments	16,328,132
Cash in segregated accounts	4,000
Cash on hand	<u>1,674</u>
Total	<u>\$ 19,198,573</u>
 <u>Cash, cash equivalents and investments per statement of net position</u>	
Governmental activities	\$ 18,601,564
Proprietary funds	498,829
Agency funds	<u>98,180</u>
Total	<u>\$ 19,198,573</u>

NOTE 5 - TAXES

A. Property Tax

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year, except monies available to be advanced against such distributions which may be appropriated and used in the current fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utility) located in the District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 5 - TAXES - (Continued)

Real property taxes received in calendar year 2018 were levied after April 1, 2017 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% 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 on December 31, 2016, were levied after April 1, 2017 and were collected in 2017 with real property taxes. Public utility real property is assessed at 35% of true value and tangible personal property is assessed at varying percentages of true value.

The Wood County Treasurer collects property tax on behalf of the District. The Wood County Auditor periodically advances to the 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 current year operations. The amount available to be advanced can vary based upon the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable, in accordance with GASB 33, as of June 30, 2018. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2018, was \$3,216,899 for the general fund, \$314,108 for the bond retirement fund (a nonmajor governmental fund), and \$93,750 for the permanent improvement fund (a nonmajor governmental fund).

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:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 624,282,250	98.60	\$ 657,463,450	98.53
Public utility personal	<u>8,851,320</u>	<u>1.40</u>	<u>9,813,820</u>	<u>1.47</u>
Total	<u>\$ 633,133,570</u>	<u>100.00</u>	<u>\$ 667,277,270</u>	<u>100.00</u>

B. School District Income Tax

The District levies an income tax of 0.5% on the gross salaries, wages and other personal service compensation earned by residents of the District. All the revenue received from income tax is recorded directly into the general fund.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 6 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The City of Bowling Green and Wood County provide tax abatements through Enterprise Zones (Ezone).

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The Ezone agreements entered into by the City of Bowling Green and Wood County affect the property tax receipts collected and distributed to the District. There were Ezone agreements with 26 companies that affected the District. Under these agreements, the District property taxes were \$510,760.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018, consisted of taxes, accounts (charges for services and fees), accrued interest, intergovernmental receivables and interfund receivables (discussed in Note 8). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of the specific State programs.

NOTE 8 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental fund	\$ 16,074

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.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B. Interfund balances at June 30, 2018 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 77,480

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 8 - INTERFUND TRANSACTIONS - (Continued)

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

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

NOTE 9 - CAPITAL ASSETS

The following is a summary by category of the changes in governmental activities capital assets at June 30, 2018:

	Balance			Balance
	<u>June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2018</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 278,664	\$ -	\$ -	\$ 278,664
Construction in progress	171,048	3,934,808	(131,876)	3,973,980
Total capital assets, not being depreciated	<u>449,712</u>	<u>3,934,808</u>	<u>(131,876)</u>	<u>4,252,644</u>
<i>Capital assets, being depreciated:</i>				
Buildings and Improvements	45,545,348	155,526	-	45,700,874
Furniture and Equipment	4,178,978	43,326	-	4,222,304
Vehicles	2,350,629	160,980	(119,038)	2,392,571
Total capital assets, being depreciated	<u>52,074,955</u>	<u>359,832</u>	<u>(119,038)</u>	<u>52,315,749</u>
<i>Less: accumulated depreciation:</i>				
Buildings and Improvements	(17,301,007)	(1,203,951)	-	(18,504,958)
Furniture and Equipment	(3,401,382)	(69,900)	-	(3,471,282)
Vehicles	(1,436,509)	(128,640)	98,802	(1,466,347)
Total accumulated depreciation	<u>(22,138,898)</u>	<u>(1,402,491)</u>	<u>98,802</u>	<u>(23,442,587)</u>
Governmental activities capital assets, net	<u>\$ 30,385,769</u>	<u>\$ 2,892,149</u>	<u>\$ (152,112)</u>	<u>\$ 33,125,806</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 942,650
Support services	408,886
Noninstructional Activities	12,739
Extracurricular activities	<u>38,216</u>
Total depreciation expense	<u>\$ 1,402,491</u>

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 9 - CAPITAL ASSETS - (Continued)

A summary of the business-type capital assets at June 30, 2018 follows:

	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2018</u>
<i>Capital assets, being depreciated:</i>				
Furniture and Equipment	\$ 318,532	\$ 30,020	\$ -	\$ 348,552
Vehicles	<u>20,102</u>	<u>-</u>	<u>-</u>	<u>20,102</u>
Total capital assets, being depreciated	<u>338,634</u>	<u>30,020</u>	<u>-</u>	<u>368,654</u>
<i>Less: accumulated depreciation:</i>				
Furniture and Equipment	(259,111)	(11,651)	-	(270,762)
Vehicles	<u>(13,905)</u>	<u>(2,781)</u>	<u>-</u>	<u>(16,686)</u>
Total accumulated depreciation	<u>(273,016)</u>	<u>(14,432)</u>	<u>-</u>	<u>(287,448)</u>
Business-type activities capital assets, net	<u>\$ 65,618</u>	<u>\$ 15,588</u>	<u>\$ -</u>	<u>\$ 81,206</u>

NOTE 10- LONG-TERM OBLIGATIONS

The long-term obligations at June 30, 2017 have been restated as described in Note 3.A. During the fiscal year 2018, the following changes occurred in long-term obligations:

	Interest <u>Rate</u>	Issue <u>Date</u>	Maturity <u>Date</u>	Restated Balance <u>07/01/17</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/18</u>	Amount Due in <u>One Year</u>
<u>Governmental activities:</u>								
Compensated absences:								
Sick leave (severance)				\$ 1,674,790	\$ 914,779	\$ (911,849)	\$ 1,677,720	\$ 27,549
Vacation				209,946	166,725	(162,303)	214,368	214,368
2017 Certificates of Participation	1.05-4.0%	10/25/2017	6/1/2037	-	4,385,000	(225,000)	4,160,000	170,000
2015 Advance Refunding Bonds	2.0-5.0%	4/30/2015	12/1/2034	22,660,000	-	(640,000)	22,020,000	690,000
Net pension liability				50,519,159	-	(14,082,705)	36,436,454	-
Net OPEB liability				<u>10,186,822</u>	<u>-</u>	<u>(2,313,971)</u>	<u>7,872,851</u>	<u>-</u>
Total governmental activities				<u>\$ 85,250,717</u>	<u>\$ 5,466,504</u>	<u>\$ (18,335,828)</u>	<u>72,381,393</u>	<u>\$ 1,101,917</u>
Add: unamortized premium on bonds							<u>2,626,103</u>	
Total on statement of net position							<u>\$ 75,007,496</u>	
<u>Business-type activities</u>								
Compensated absences:								
Sick leave (severance)				\$ 63,034	\$ -	\$ (17,185)	\$ 45,849	\$ -
Net pension liability				1,221,022	643,189	-	1,864,211	-
Net OPEB liability				<u>479,382</u>	<u>381,554</u>	<u>-</u>	<u>860,936</u>	<u>-</u>
Total business-type activities				<u>\$ 1,763,438</u>	<u>\$ 1,024,743</u>	<u>\$ (17,185)</u>	<u>\$ 2,770,996</u>	<u>\$ -</u>

The District has established a Severance Benefits Fund, as permitted by H.B. 426, to liquidate accumulated sick leave upon retirement of employees while sick leave and vacation benefits enjoyed by active employees are paid by the fund from which the employee is normally paid, in most cases the General Fund.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Net Pension Liability: The District's net pension liability is described in Note 12. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability: The District's net OPEB liability is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their services.

On April 30, 2015, the District issued \$23,230,000 in General Obligation Refunding Bonds. These serial bonds have interest rates varying from 2.0 percent to 5.0 percent. The final stated maturity on the issue is December 1, 2034. Proceeds were used to refund \$23,250,000 of the outstanding 2007 school facilities construction and improvement bonds. Principal and interest payments are made from the bond retirement fund (a nonmajor governmental fund).

The bonds were sold at a premium of \$2,868,109. Proceeds of \$25,811,196 (after the underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2007 school facilities construction and improvement bonds. As a result, \$23,250,000 of these bonds were considered defeased and the liability for the refunding portion of these bonds has been removed from the basic financial statements.

The reacquisition priced exceeded the net carrying amount of the old debt by \$1,760,267. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a summary of the District's future annual debt service requirements to maturity for the 2015 general obligation bonds:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 690,000	\$ 958,862	\$ 1,648,862
2020	730,000	937,363	1,667,363
2021	785,000	907,063	1,692,063
2022	850,000	870,113	1,720,113
2023	925,000	825,737	1,750,737
2024 - 2028	5,870,000	3,359,681	9,229,681
2029 - 2033	8,120,000	1,936,800	10,056,800
2034 - 2035	4,050,000	206,000	4,256,000
Total	\$ 22,020,000	\$ 10,001,619	\$ 32,021,619

On October 25, 2017, the District issued \$4,385,000 in Certificates of Participation. These bonds consist of both serial and term certificates. The serial certificates have interest rates varying from 1.05 percent to 2.125 percent and the term certificates have an interest rate of 4.00 percent. The final stated maturity on the issue is June 1, 2037. The bonds were sold at a premium of \$206,264. At June 30, 2018, there was \$456,934 in unspent proceeds from the series 2017 certificates of participation. Principal and interest payments are made from the permanent improvement fund (a nonmajor governmental fund).

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 170,000	\$ 141,638	\$ 311,638
2020	170,000	138,238	308,238
2021	175,000	134,838	309,838
2022	180,000	131,338	311,338
2023	180,000	127,738	307,738
2024 - 2028	980,000	570,176	1,550,176
2029 - 2033	1,180,000	370,200	1,550,200
2034 - 2037	1,125,000	114,800	1,239,800
Total	<u>\$ 4,160,000</u>	<u>\$ 1,728,966</u>	<u>\$ 5,888,966</u>

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$34,962,565 (including available funds of \$1,087,611) and an unvoted debt margin of \$667,277.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, general liability, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents have a liability limit of \$119,468,244 with 100% co-insurance. The District's fleet insurance policy has a liability limit of \$1,000,000 each occurrence. The District has liability insurance coverage limits of \$4,000,000 each occurrence and \$6,000,000 annual aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last year.

Wood County Schools Health Insurance Consortium

The Wood County Schools Health Insurance Consortium (the "Consortium") is a public entity shared risk pool consisting of six local school districts, two city or exempted village school districts, one vocational school district, and an educational service center. The Consortium is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the Consortium.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT - (Continued)

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information may be obtained from Sharon Gillespie, Medical Mutual of Ohio, 3737 Sylvania Avenue, Toledo, Ohio 43623.

SWOEPC Worker's Compensation Group Rating

The District participates in the Southwest Ohio Educational Purchasing Council's Worker's Compensation Group Rating Plan, part of a shared services council of governments. This Group Rating Plan allows school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers. Each year the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 12 - 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 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.

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

GASB 68 assumes the liability is solely the obligation of 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 *pension and postemployment obligation payable* on both the accrual and modified accrual bases of accounting.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description - The 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 Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

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

The District's contractually required contribution to SERS was \$568,272 for fiscal year 2018. Of this amount, \$14,773 is reported as pension and postemployment obligation payable.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The 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 District's contractually required contribution to STRS was \$1,991,483 for fiscal year 2018. Of this amount, \$157,778 is reported as pension and postemployment obligation payable.

Net Pension Liability

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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.14081740%	0.12378224%	
Proportion of the net pension liability current measurement date	<u>0.14090880%</u>	<u>0.12579838%</u>	
Change in proportionate share	<u>0.00009140%</u>	<u>0.00201614%</u>	
Proportionate share of the net pension liability	\$ 8,416,990	\$ 29,883,675	\$ 38,300,665
Pension expense	\$ (293,175)	\$ (12,048,650)	\$ (12,341,825)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 362,324	\$ 1,153,967	\$ 1,516,291
Changes of assumptions	435,352	6,535,888	6,971,240
Difference between District contributions and proportionate share of contributions/ change in proportionate share	758,310	495,400	1,253,710
District contributions subsequent to the measurement date	<u>568,272</u>	<u>1,991,483</u>	<u>2,559,755</u>
Total deferred outflows of resources	<u>\$ 2,124,258</u>	<u>\$ 10,176,738</u>	<u>\$ 12,300,996</u>

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 240,850	\$ 240,850
Net difference between projected and actual earnings on pension plan investments	39,962	986,195	1,026,157
Difference between District contributions and proportionate share of contributions/change in proportionate share	<u>767,817</u>	<u>1,562,300</u>	<u>2,330,117</u>
Total deferred inflows of resources	<u>\$ 807,779</u>	<u>\$ 2,789,345</u>	<u>\$ 3,597,124</u>

\$2,559,755 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ 349,506	\$ 834,996	\$ 1,184,502
2020	467,188	2,176,561	2,643,749
2021	127,776	1,738,447	1,866,223
2022	<u>(196,263)</u>	<u>645,906</u>	<u>449,643</u>
Total	<u>\$ 748,207</u>	<u>\$ 5,395,910</u>	<u>\$ 6,144,117</u>

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.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 11,683,370	\$ 8,416,990	\$ 5,684,405

Actuarial Assumptions - STRS Ohio

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

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

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

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

*10-Year 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 42,837,231	\$ 29,883,675	\$ 18,972,245

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

NOTE 13 - 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 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.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$73,863.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$94,910 for fiscal year 2018. Of this amount, \$74,410 is reported as pension and postemployment obligation payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.14196110%	0.12378224%	
Proportion of the net OPEB liability current measurement date	<u>0.14254740%</u>	<u>0.12579838%</u>	
Change in proportionate share	<u>0.00058630%</u>	<u>0.00201614%</u>	
Proportionate share of the net OPEB liability	\$ 3,825,598	\$ 4,908,189	\$ 8,733,787
OPEB expense	\$ 228,222	\$ (1,482,311)	\$ (1,254,089)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 283,331	\$ 283,331
Difference between District contributions and proportionate share of contributions/ change in proportionate share	316,502	92,421	408,923
District contributions subsequent to the measurement date	<u>94,910</u>	<u>-</u>	<u>94,910</u>
Total deferred outflows of resources	<u>\$ 411,412</u>	<u>\$ 375,752</u>	<u>\$ 787,164</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 10,102	\$ 209,787	\$ 219,889
Changes of assumptions	363,030	395,371	758,401
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>316,649</u>	<u>-</u>	<u>316,649</u>
Total deferred inflows of resources	<u>\$ 689,781</u>	<u>\$ 605,158</u>	<u>\$ 1,294,939</u>

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$94,910 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (134,112)	\$ (55,717)	\$ (189,829)
2020	(134,112)	(55,717)	(189,829)
2021	(102,531)	(55,717)	(158,248)
2022	(2,524)	(55,716)	(58,240)
2023	-	(3,270)	(3,270)
Thereafter	-	(3,269)	(3,269)
Total	<u>\$ (373,279)</u>	<u>\$ (229,406)</u>	<u>\$ (602,685)</u>

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.

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
	District's proportionate share of the net OPEB liability	\$ 4,619,896	\$ 3,825,598

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
	District's proportionate share of the net OPEB liability	\$ 3,104,186	\$ 3,825,598

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

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

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
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	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

*10-Year 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

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

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 6,589,164	\$ 4,908,189	\$ 3,579,668
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,409,999	\$ 4,908,189	\$ 6,879,981

NOTE 14 - OTHER EMPLOYEE BENEFITS - DEFERRED COMPENSATION PLANS

The District employees may participate in the Ohio Public Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The plan Agreement states that the District and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

NOTE 15 - SET-ASIDES

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

During fiscal year 2018, the District issued \$4,385,000 in capital related certificates of participation. These proceeds may be used to reduce the capital improvements set-aside amount for future years. The amount presented for current year offset from bond proceeds is limited to an amount needed to reduce the capital improvement set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$4,376,557 at June 30, 2018.

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

	Capital Improvements
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	529,317
Current year offsets	(520,874)
Current year offset from bond proceeds	(8,443)
Total	\$ -
Balance carried forward to fiscal year 2019	\$ -
Set-aside balance June 30, 2018	\$ -

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

NOTE 16 - OTHER COMMITMENTS

The District uses encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	Year-End <u>Encumbrances</u>
General	\$ 213,682
Building	425,558
Other Governmental	<u>48,129</u>
Total	<u>\$ 687,369</u>

NOTE 17 - 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 is 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

REQUIRED SUPPLEMENTARY INFORMATION

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 18,542,902	\$ 18,301,481	\$ 20,003,852	\$ 1,702,371
Intergovernmental.	9,913,043	9,783,979	10,694,067	910,088
Earnings on investments	216,766	213,944	233,845	19,901
Tuition and fees.	945,592	933,281	1,020,093	86,812
Miscellaneous	214,918	212,120	231,851	19,731
Total revenues	<u>29,833,221</u>	<u>29,444,805</u>	<u>32,183,708</u>	<u>2,738,903</u>
Expenditures:				
Current:				
Instruction.	20,352,070	20,586,377	19,635,135	951,242
Support services.	11,621,465	11,778,802	10,624,954	1,153,848
Non-instructional services.	288,000	287,000	92,652	194,348
Extracurricular activities	611,193	611,193	600,651	10,542
Facilities acquisition and construction.	20,040	21,040	20,376	664
Total expenditures	<u>32,892,768</u>	<u>33,284,412</u>	<u>30,973,768</u>	<u>2,310,644</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(3,059,547)</u>	<u>(3,839,607)</u>	<u>1,209,940</u>	<u>5,049,547</u>
Other financing sources (uses):				
Transfers (out).	(351,000)	(351,000)	(316,074)	34,926
Advances in.	164,685	162,541	177,660	15,119
Advances (out)	-	-	(177,660)	(177,660)
Sale of capital assets	4,079	4,026	4,400	374
Refund of prior year's expenditures	106,197	104,814	114,564	9,750
Refund of prior year's receipts.	-	-	(27)	(27)
Total other financing sources (uses)	<u>(76,039)</u>	<u>(79,619)</u>	<u>(197,137)</u>	<u>(117,518)</u>
Net change in fund balance	(3,135,586)	(3,919,226)	1,012,803	4,932,029
Fund balance at beginning of year	13,778,847	13,778,847	13,778,847	-
Prior year encumbrances appropriated	249,519	249,519	249,519	-
Fund balance at end of year	<u>\$ 10,892,780</u>	<u>\$ 10,109,140</u>	<u>\$ 15,041,169</u>	<u>\$ 4,932,029</u>

SEE ACCOMPANYING NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The schedule of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,012,803
Net adjustment for revenue accruals	(199,066)
Net adjustment for expenditure accruals	(159,786)
Net adjustment for other sources/uses	185,463
Funds budgeted elsewhere	97,576
Adjustment for encumbrances	233,707
GAAP basis	\$ 1,170,697

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund and the termination benefits fund.

REQUIRED SUPPLEMENTARY INFORMATION

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.14090880%	0.14081740%	0.14480070%	0.13770900%	0.13770900%
District's proportionate share of the net pension liability	\$ 8,416,990	\$ 10,306,534	\$ 8,262,468	\$ 6,969,374	\$ 8,189,112
District's covered payroll	\$ 4,709,600	\$ 4,294,957	\$ 4,359,256	\$ 4,001,558	\$ 3,402,478
District's proportionate share of the net pension liability as a percentage of its covered payroll	178.72%	239.97%	189.54%	174.17%	240.68%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.12579838%	0.12378224%	0.12910286%	0.13504783%	0.13504783%
District's proportionate share of the net pension liability	\$ 29,883,675	\$ 41,433,647	\$ 35,680,254	\$ 32,848,306	\$ 39,128,687
District's covered payroll	\$ 14,136,707	\$ 13,281,379	\$ 13,495,814	\$ 13,798,154	\$ 14,883,243
District's proportionate share of the net pension liability as a percentage of its covered payroll	211.39%	311.97%	264.38%	238.06%	262.90%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 568,272	\$ 659,344	\$ 601,294	\$ 574,550
Contributions in relation to the contractually required contribution	<u>(568,272)</u>	<u>(659,344)</u>	<u>(601,294)</u>	<u>(574,550)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,209,422	\$ 4,709,600	\$ 4,294,957	\$ 4,359,256
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 554,616	\$ 470,903	\$ 484,645	\$ 439,894	\$ 468,693	\$ 309,885
<u>(554,616)</u>	<u>(470,903)</u>	<u>(484,645)</u>	<u>(439,894)</u>	<u>(468,693)</u>	<u>(309,885)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,001,558	\$ 3,402,478	\$ 3,603,309	\$ 3,499,554	\$ 3,461,544	\$ 3,149,238
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,991,483	\$ 1,979,139	\$ 1,859,393	\$ 1,889,414
Contributions in relation to the contractually required contribution	<u>(1,991,483)</u>	<u>(1,979,139)</u>	<u>(1,859,393)</u>	<u>(1,889,414)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,224,879	\$ 14,136,707	\$ 13,281,379	\$ 13,495,814
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,793,760	\$ 1,934,822	\$ 1,848,230	\$ 1,906,769	\$ 1,891,838	\$ 1,930,306
<u>(1,793,760)</u>	<u>(1,934,822)</u>	<u>(1,848,230)</u>	<u>(1,906,769)</u>	<u>(1,891,838)</u>	<u>(1,930,306)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,798,154	\$ 14,883,243	\$ 14,217,150	\$ 14,667,457	\$ 14,552,600	\$ 14,848,507
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.14254740%	0.14196110%
District's proportionate share of the net OPEB liability	\$ 3,825,598	\$ 4,046,416
District's covered payroll	\$ 4,709,600	\$ 4,294,957
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.23%	94.21%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.12579838%	0.12378224%
District's proportionate share of the net OPEB liability	\$ 4,908,189	\$ 6,619,906
District's covered payroll	\$ 14,136,707	\$ 13,281,379
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.72%	49.84%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 94,910	\$ 75,645	\$ 68,650	\$ 102,713
Contributions in relation to the contractually required contribution	<u>(94,910)</u>	<u>(75,645)</u>	<u>(68,650)</u>	<u>(102,713)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,209,422	\$ 4,709,600	\$ 4,294,957	\$ 4,359,256
Contributions as a percentage of covered payroll	2.25%	1.61%	1.60%	2.36%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 39,997	\$ 37,080	\$ 50,842	\$ 83,565	\$ 47,252	\$ 43,653
<u>(39,997)</u>	<u>(37,080)</u>	<u>(50,842)</u>	<u>(83,565)</u>	<u>(47,252)</u>	<u>(43,653)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,001,558	\$ 3,402,478	\$ 3,603,309	\$ 3,499,554	\$ 3,461,544	\$ 3,149,238
1.00%	1.09%	1.41%	2.39%	1.37%	1.39%

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,224,879	\$ 14,136,707	\$ 13,281,379	\$ 13,495,814
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 139,570	\$ 148,832	\$ 153,108	\$ 157,957	\$ 156,720	\$ 159,907
<u>(139,570)</u>	<u>(148,832)</u>	<u>(153,108)</u>	<u>(157,957)</u>	<u>(156,720)</u>	<u>(159,907)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,798,154	\$ 14,883,243	\$ 14,217,150	\$ 14,667,457	\$ 14,552,600	\$ 14,848,507
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced 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) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

SUPPLEMENTARY INFORMATION

**BOWLING GREEN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
(D) School Breakfast Program	10.553	2018	\$ 140,032
(D) National School Lunch Program	10.555	2018	539,427
(C) National School Lunch Program - Food Donation	10.555	2018	52,496
Total National School Lunch Program			<u>591,923</u>
Total Child Nutrition Cluster			<u>731,955</u>
Total U.S. Department of Agriculture			<u>731,955</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2017	51,748
Title I Grants to Local Educational Agencies	84.010	2018	423,988
Total Title I Grants to Local Educational Agencies			<u>475,736</u>
Special Education Cluster:			
Special Education_Grants to States	84.027	2018	721,175
Special Education_Preschool Grants	84.173	2018	4,490
Total Special Education Cluster			<u>725,665</u>
Supporting Effective Instruction State Grants	84.367	2017	3,910
Supporting Effective Instruction State Grants	84.367	2018	83,956
Total Supporting Effective Instruction State Grants			<u>87,866</u>
Total U.S. Department of Education			<u>1,289,267</u>
Total Federal Financial Assistance			<u>\$ 2,021,222</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2018.
- (B) This schedule includes the federal award activity of the Bowling Green City School District under programs of the federal government for the fiscal year ended June 30, 2018 and is prepared in accordance with the cash basis of accounting. 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 Bowling Green City School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Bowling Green City School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Bowling Green City School District has not elected to use the 10% de minimis indirect cost rate.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Accounting Standards***

Bowling Green City School District
Wood County
137 Clough Street
Bowling Green, Ohio 43402

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 business-type activities, each major fund, and the aggregate remaining fund information of the Bowling Green City School District, Wood County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Bowling Green City School District's basic financial statements and have issued our report thereon dated January 23, 2019, wherein we noted as discussed in Note 3, the Bowling Green City School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 23, 2019



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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**

Bowling Green City School District
Wood County
137 Clough Street
Bowling Green, Ohio 43402

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Bowling Green City School District's compliance for the Bowling Green City School 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 Bowling Green City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Bowling Green 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 fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Julian & Grube, Inc.
January 23, 2019

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

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

2. FINDINGS RELATED TO THE BASIC 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



BOWLING GREEN CITY SCHOOL DISTRICT

WOOD 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 21, 2019**