PERRY & Associates

Certified Public Accountants, A.C.

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
Single Audit
For the Fiscal Year Ended June 30, 2018

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OHIO AUDITOR OF STATE
KEITH FABER

Board of Education
Solon City School District
33800 Inwood Road
Solon, Ohio 44139

We have reviewed the *Independent Auditor's Report* of the Solon City School District, Cuyahoga County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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 Solon City School District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2019

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CUYAHOGA COUNTY, OHIO

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INDEPENDENT AUDITOR'S REPORT

December 31, 2018

Solon City School District
Cuyahoga County
33800 Inwood Road
Solon, OH 44139

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Awards Receipts and Expenditures 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 derive**s** from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule 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 December 31, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

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

The management's discussion and analysis of Solon 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:

- The District's net position of governmental activities increased $42,825,742, which represents an 89.96% increase from 2017's restated net position.

- General revenues for governmental activities, accounted for $76,113,619 in revenue or 93.05% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $5,685,204 or 6.95% of total governmental activities revenues of $81,798,823.

- The District had $38,973,081 in expenses related to governmental activities; only $5,685,204 of these expenses was offset by program specific charges for services or grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $76,113,619 were adequate to provide for these programs.

- The District's major governmental funds are the general fund and debt service fund. The general fund had $73,342,075 in revenues and other financing sources and $71,075,970 in expenditures and other financing uses. The general fund's fund balance increased $2,266,105 from a balance of $41,627,365 to $43,893,470.

- The debt service fund had $2,335,606 in revenues and $1,225,085 in expenditures. The debt service fund's fund balance increased $1,110,521 from $2,863,971 to $3,974,492.

Using the Basic Financial Statements (BFS)

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. These statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the District as a Whole

Statement of net position and the statement of activities

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

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

On the statement of net position and in the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 19 - 20 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 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net position and the Statement of Activities) and governmental *funds* are reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 21 - 25 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for a self-insurance program which provides medical, dental and vision benefits to employees. Effective September 1, 2017, the District discontinued its self-insurance program. The basic proprietary fund financial statements can be found on pages 26 - 28 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of assets and liabilities on page 29. 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 31 - 80.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 82 - 95 of this report.

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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 for 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Net Position - Governmental Activities	
	2018	Restated 2017
Assets		
Current and other assets	$ 116,292,929	$ 118,541,317
Capital assets, net	42,547,182	40,316,936
Total assets	158,840,111	158,858,253
Deferred outflows of resources		
Unamortized deferred charges	121,667	143,836
Pension	25,965,857	22,822,354
OPEB	881,496	177,768
Total deferred outflows	26,969,020	23,143,958
Liabilities		
Current liabilities	10,577,253	14,766,834
Long-term liabilities:		
Due within one year	2,833,191	1,839,994
Due in more than one year:		
Net pension liability	87,321,529	123,620,292
Net OPEB liability	20,019,067	25,638,697
Other amounts	11,653,615	13,347,448
Total liabilities	132,404,655	179,213,265
Deferred inflows of resources		
Property taxes and PILOTS	48,203,173	48,398,483
Pension	6,966,947	1,994,733
OPEB	3,012,884	-
Total deferred inflows	58,183,004	50,393,216
Net Position		
Net investment in capital assets	34,518,086	28,567,264
Restricted	11,387,783	10,705,934
Unrestricted (deficit)	(50,684,397)	(86,877,468)
Total net position (deficit)	$ (4,778,528)	$ (47,604,270)

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.

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 at June 30, 2017, from deficit of $22,143,341 to a deficit of $47,604,270.

Analysis of Net Position

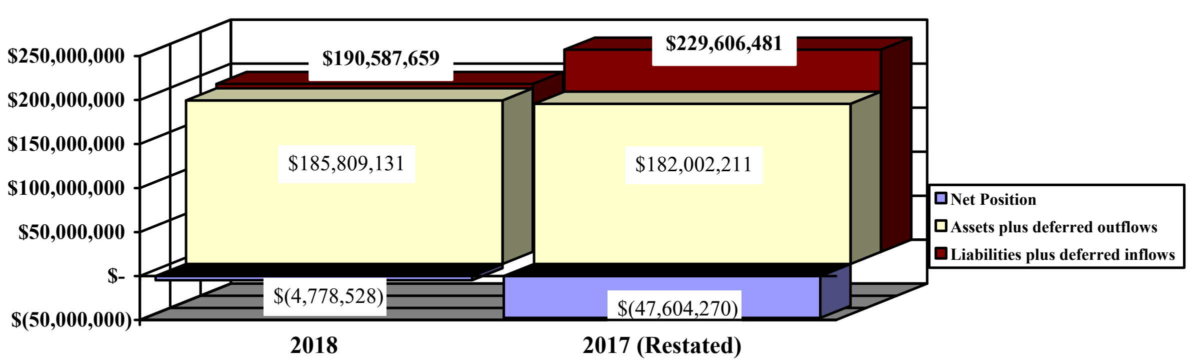
Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2018, the District's liabilities plus deferred inflows of resources exceeded assets and deferred outflows by $4,778,528.

Total assets of the District's governmental activities decreased $18,142 from June 30, 2018.

Long-term liabilities decreased primarily due to a decrease in the net pension liability. This factor is outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to District employees, not the District.

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2018 and 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.

Governmental Activities



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

	Change in Net Position - Governmental Activities	
Revenues	2018	Restated 2017
Program revenues:		
Charges for services and sales	$ 3,385,867	$ 3,193,723
Operating grants and contributions	2,299,337	2,463,722
General revenues:		
Property taxes	58,849,002	48,418,566
Payments in lieu of taxes	1,960,249	1,172,146
Grants and entitlements	14,550,470	16,150,992
Investment earnings	784,793	489,462
Increrase (decrease) in fair value of investments	(333,780)	(259,773)
Miscellaneous	302,885	550,035
Total revenues	81,798,823	72,178,873
Expenses		
Program expenses:		
Instruction:		
Regular	16,546,514	34,454,504
Special	4,241,868	8,992,943
Vocational	157,599	73,159
Other	137,773	435,164
Support services:		
Pupil	1,712,287	4,136,931
Instructional staff	966,571	2,179,066
Board of education	24,140	40,560
Administration	1,903,481	4,293,365
Fiscal	1,246,327	1,731,463
Business	1,232,488	3,005,352
Operations and maintenance	5,271,042	7,856,088
Pupil transportation	2,059,391	4,000,477
Central	551,518	845,352
Operation of non-instructional services:		
Food service operations	1,202,590	1,911,783
Other non-instructional services	387,904	531,451
Extracurricular activities	1,122,007	2,067,999
Interest and fiscal charges	209,581	394,076
Total expenses	38,973,081	76,949,733
Change in net position	42,825,742	(4,770,860)
Net position at beginning of year (restated)	(47,604,270)	N/A
Net position at end of year	$ (4,778,528)	$ (47,604,270)

Governmental Activities

The net position of the District's governmental activities increased $42,825,742. Total governmental expenses of $38,973,081 were offset by program revenues of $5,685,204. General revenues of $76,113,619 were adequate to provide for these programs. Program revenues supported 14.59% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 89.73% of total governmental activities revenue. The increase in property tax revenue is primarily due to fluctuations in the amount collected by the County Fiscal Officer and available as advance at fiscal year-end. The amount collected and available as advance for the fiscal year end June 30, 2018, June 30, 2017, and June 30, 2016 was $7,750,768, $8,504,588, and $16,042,155, respectively. The amount collected and available for advance can vary depending upon when tax bills are sent. The amount of tax advance available at fiscal year-end is reported as revenue in that fiscal year on a GAAP -basis. Real estate property is reappraised every six years. In addition to the fluctuations in the amount of property tax collected and available for advance, the District reported an increase to property tax revenue due to the timing of calendar year 2018 property tax payments. Certain District taxpayers paid their entire 2018 calendar year taxes in 2017 resulting in an increase to property tax revenue in fiscal year 2018. Payments in lieu of taxes revenue increased due to increased revenue sharing and tax abatement agreements entered into by the District. Unrestricted grants and entitlements decreased primarily due to receiving less from State funding in the form of Foundation payments. Investment earnings increased as the District had more money to invest in the improving economy and interest rates increased during fiscal year 2018. The District reported a decrease in the fair value of investments of $333,780 for 2018. The District intends to hold all investments to maturity thus eliminating the risk in fluctuations of fair value. Miscellaneous revenue decreased due to receiving less money from local sources.

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 $177,768 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 $3,071,779. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$ 38,973,081
Negative OPEB expense under GASB 75	3,071,779
2018 contractually required contributions	238,695
Adjusted 2018 program expenses	42,283,555
Total 2017 program expenses under GASB 45	76,949,733
Decrease in program expenses not related to OPEB	$ (34,666,178)

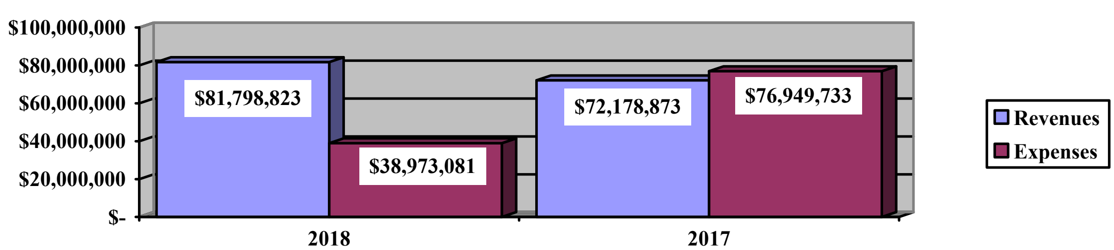
Overall, expenses of the governmental activities decreased $37,976,652 or 49.35%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported ($28,195,827) in pension expense and ($3,071,779) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities. To assess fluctuations in program expenses, the increase or decrease in pension expense should be factored into the analysis.

Pension expense, by function, for 2018 and 2017 follows:

Program expenses:	2018 Pension Expense	2017 Pension Expense	Increase (Decrease)
Instruction:			
Regular	$ (14,481,941)	$ 4,556,738	$ (19,038,679)
Special	(3,489,887)	1,138,773	(4,628,660)
Other	(186,475)	63,604	(250,079)
Support services:			
Pupil	(1,823,956)	593,611	(2,417,567)
Instructional staff	(926,203)	227,402	(1,153,605)
Board of education	(11,078)	3,381	(14,459)
Administration	(1,825,711)	606,857	(2,432,568)
Fiscal	(360,906)	110,744	(471,650)
Business	(241,045)	76,440	(317,485)
Operations and maintenance	(2,253,708)	725,993	(2,979,701)
Pupil transportation	(1,261,680)	400,816	(1,662,496)
Central	(216,643)	69,793	(286,436)
Operation of non-instructional services:			
Food service operations	(418,540)	133,734	(552,274)
Other non-instructional services	(18,503)	6,023	(24,526)
Extracurricular activities	(679,551)	221,219	(900,770)
Total	$ (28,195,827)	$ 8,935,128	$ (37,130,955)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2018 and 2017.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2018 and 2017. It identifies the cost of services supported by tax revenue and restricted State grants and entitlements. As stated above, fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities.

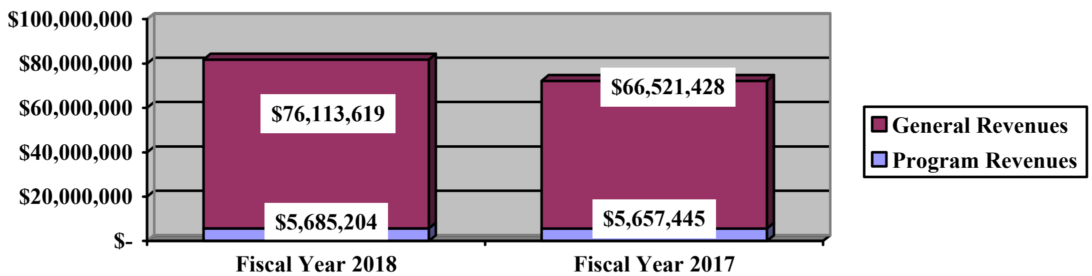
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction:				
Regular	$ 16,546,514	$ 15,596,955	$ 34,454,504	$ 33,757,742
Special	4,241,868	3,496,119	8,992,943	8,206,479
Vocational	157,599	148,744	73,159	64,289
Other	137,773	(133,779)	435,164	100,104
Support services:				
Pupil	1,712,287	800,854	4,136,931	3,228,879
Instructional staff	966,571	875,230	2,179,066	2,125,182
Board of Education	24,140	24,140	40,560	40,560
Administration	1,903,481	1,903,481	4,293,365	4,293,365
Fiscal	1,246,327	1,246,327	1,731,463	1,731,463
Business	1,232,488	1,232,488	3,005,352	3,000,422
Operations and maintenance	5,271,042	5,104,785	7,856,088	7,655,415
Pupil transportation	2,059,391	1,958,310	4,000,477	3,895,870
Central	551,518	528,116	845,352	821,271
Food service operations	1,202,590	(350,265)	1,911,783	307,207
Operation of non-instructional services	387,904	(108,511)	531,451	(1,727)
Extracurricular activities	1,122,007	755,302	2,067,999	1,671,691
Interest and fiscal charges	209,581	209,581	394,076	394,076
Total expenses	$ 38,973,081	$ 33,287,877	$ 76,949,733	$ 71,292,288

The dependence upon general revenues during fiscal year 2018 for governmental activities is apparent, as 90.63% of 2018 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.41% in 2018. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2018 and 2017.

Governmental Activities - General and Program Revenues



The District's Funds

During 2018 the District's governmental funds reported a combined fund balance of $53,537,637, which is greater than last year's total of $51,669,602. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase (Decrease)	Percentage Change
General	$ 43,893,470	$ 41,627,365	$ 2,266,105	5.44 %
Debt Service	3,974,492	2,863,971	1,110,521	38.78 %
Other Governmental	5,669,675	7,178,266	(1,508,591)	(21.02) %
Total	$ 53,537,637	$ 51,669,602	$ 1,868,035	3.62 %

General Fund

The District's general fund balance increased $2,266,105 as revenues exceeded expenditures in the current year. Equity in pooled cash and investments in the general fund decreased $529,898 from $45,556,662 at June 30, 2017 to $45,026,764 at June 30, 2018.

The tables below assist in illustrating the financial activities of the general fund.

	2018 Amount	2017 Amount	Increase (Decrease)	Percentage Change
Revenues				
Property taxes	$ 54,748,917	$ 45,237,268	$ 9,511,649	21.03 %
Payment in lieu of taxes	1,493,188	557,158	936,030	168.00 %
Tuition	974,544	932,571	41,973	4.50 %
Earnings on investments	816,046	445,839	370,207	83.04 %
Increase (decrease) in fair value of investments	(333,780)	(259,773)	(74,007)	28.49 %
Intergovernmental	14,528,880	16,213,740	(1,684,860)	(10.39) %
Other revenues	1,073,127	1,347,683	(274,556)	(20.37) %
Total	$ 73,300,922	$ 64,474,486	$ 8,826,436	13.69 %
Expenditures				
Instruction	$ 41,843,300	$ 39,374,097	$ 2,469,203	6.27 %
Support services	24,858,772	25,960,946	(1,102,174)	(4.25) %
Operation of non-instructional services	129,427	142,750	(13,323)	(9.33) %
Extracurricular activities	1,736,201	1,609,835	126,366	7.85 %
Facilities acquisition and construction	2,408,270	6,467,583	(4,059,313)	(62.76) %
Total	$ 70,975,970	$ 73,555,211	$ (2,579,241)	(3.51) %

The increase in property tax revenue for fiscal year 2018 primarily resulted from fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end. For the general fund, the amount collected and available as advance for the fiscal year end June 30, 2018, June 30, 2017, and June 30, 2016, was $7,210,815, $7,912,121, and $14,924,609, respectively. The amount collected and available for advance can vary depending upon when tax bills are sent. The amount of tax advance available at fiscal year-end is reported as revenue in the fiscal year in the general fund on the modified accrual basis of accounting (GAAP). On the budgetary basis of accounting (cash-basis), property tax receipts for the fiscal year end June 30, 2018, June 30, 2017, and June 30, 2016, were $56,943,411, $52,249,756, and $52,097,344, respectively. In addition to the fluctuations in the amount of property tax collected and available for advance, the District reported an increase to property tax revenue due to the timing of calendar year 2018 property tax payments. Certain District taxpayers paid their entire 2018 calendar year taxes in 2017 resulting in an increase to property tax revenue in fiscal year 2018.

Payments in lieu of taxes revenue increased due to increased revenue sharing and tax abatement agreements entered into by the District. The District reported a decrease in the fair value of investments of $333,780 for 2018. District carries investments at cost but is required to report investments at fair value. Fluctuations in the fair value of investments is reported separately form interest earnings. The District intends to hold all investments to maturity thus eliminating the risk in fluctuations of fair value. Intergovernmental decreased primarily due to receiving less from State funding in the form of Foundation payments. Facilities acquisition and construction decreased 62.76% due to various capital related expenditures being paid out of the general fund in fiscal year 2017. Overall, expenditures decreased 3.51% from 2017. All other revenues and expenditures remained comparable to the prior fiscal year.

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 fiscal year 2018, the District did not amend its general fund budgeted revenues and other financing sources. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, original and final budgeted revenues and other financing sources were $73,656,803. The actual revenues and other financing sources were $74,444,369, which was $787,566 higher than the final budget revenues.

General fund final budgeted expenditures and other financing sources of $95,016,421 was equal to the original budgeted revenues estimate. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled $81,187,978, which were $13,828,443 less than final budgeted appropriations. The primary variance between the final appropriations and actual expenditures were in the areas of instruction-regular, instruction-special, support services-operations and maintenance, and facilities acquisition and construction.

Capital Assets and Debt Administration

Capital Assets

During fiscal year 2018, the District had $42,547,182 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and buses and other vehicles. This entire amount was reported in governmental activities.

The table below shows fiscal year 2018 balances compared to 2017:

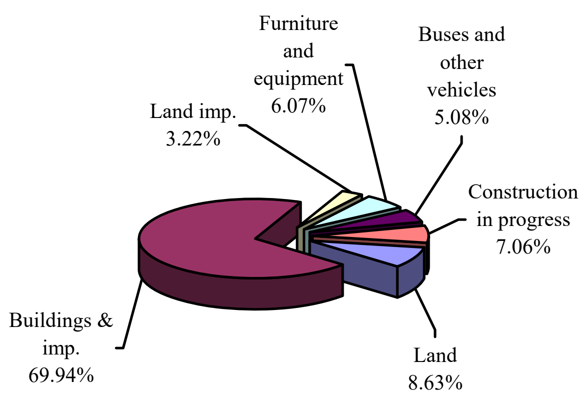
Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	$ 3,672,260	$ 3,672,260
Land improvements	1,367,885	1,609,976
Buildings and improvements	29,757,910	22,857,461
Furniture and equipment	2,582,153	3,062,446
Buses and other vehicles	2,162,806	2,144,163
Construction in progress	3,004,168	6,970,630
Total	$ 42,547,182	$ 40,316,936

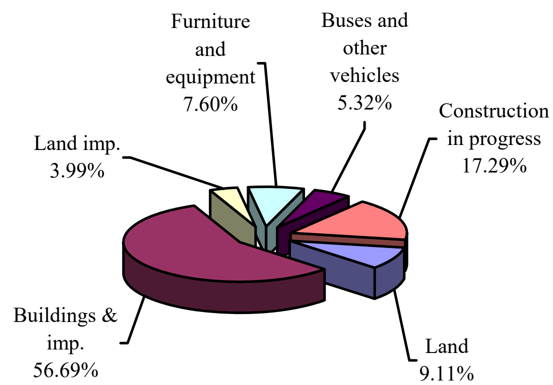
Total additions to governmental activities capital assets for 2018 were $5,130,413. Governmental activities depreciation expense for fiscal year 2018 was $2,786,974. Disposals net of accumulated depreciation were $113,193. Overall, governmental activities capital assets of the District increased $2,230,246.

The following graphs show the breakdown of the governmental activities capital assets by category for 2018 and 2017.

Capital Assets - 2018



Capital Assets - 2017



See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2018 the District had $5,598,000 in general obligation bonds and general obligation notes outstanding. Of this total, $1,993,000 is due within one year and $3,605,000 is due within greater than one year.

The following table summarizes the governmental activities debt outstanding.

Outstanding Debt, at Year End

	Balance June 30, 2018	Balance June 30, 2017
General obligation bonds	$ 4,175,000	$ 5,133,089
General obligation notes	1,423,000	1,423,000
Total	$ 5,598,000	$ 6,556,089

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Solon CSD has been consistently rated as one of the top academic public school districts in the state of Ohio over the last decade and a half. The District has held the outstanding academic distinction of being rated an excellent public school district for 19 years. This distinction has been attained while only receiving approximately 5% of its total operating revenues from the State of Ohio's foundation funding formula. Local community and businesses have placed a significant emphasis on providing an outstanding education to its students, and have always supported the District.

The Board of Education and administration of the District are committed to careful financial planning and prudent fiscal management. An excellent working and supportive relationship exists between the District, the City of Solon, the Village of Glenwillow, the industrial community and the residents of the City.

Solon CSD is in a delicate position continuing to provide an excellent education while battling minimal state formula funding, as well as significant changes in Tangible Personal Property (TPP) tax law. TPP originally accounted for 17% of the District's operating revenues. As recent as fiscal year 2017, TPP reimbursements accounted for 12%, or $8,300,000, of the District's operating revenues. A significant TPP reduction was realized by the district in fiscal year 2018, which resulted in actual TPP revenues being reduced to approximately $4,800,000. An annual TPP phase-out of approximately $737,000 per year exists until the District's entire remaining TPP funds are eliminated. TPP dollars anticipated to be received by the District in fiscal year 2019 are approximately $4,065,000. This reduction in revenue will be devastating to our district in years to come.

Significant financial items to note are:

Fiscal Year 2010 - Expenditure reductions of approximately $1,500,000 per year.

Fiscal Year 2011 - Expenditure reductions of approximately $2,700,000 per year. On May 4, 2010, the District passed a new 6.9 mill operating levy which began generating revenue in calendar year 2011.

Fiscal Year 2012 - Expenditure reductions of approximately $2,700,000 per year, a reduced salary schedule for new certificated hires, and changes in insurance benefits. $1,200,000 per year in Tangible Personal Property state reimbursement revenues lost due to changes in State funding. This money is lost in perpetuity.

Fiscal Year 2013 – An additional $1,200,000 per year in Tangible Personal Property state reimbursement revenues lost due to changes in State funding. This money is lost in perpetuity.

Fiscal Year 2014 - On November 5, 2013, the District passed a new 0.80 mill levy due to a long-term debt issuance being completely repaid and the tax bill being reduced by 0.80 mills. The new 0.80 levy was for 0.40 mills operating and 0.40 permanent improvements. The primary reason for this levy was to help offset increased costs attributed to Safety and Security. This levy began generating revenue in calendar year 2014.

Fiscal Year 2015 – The District was required to implement GASB 68 as discussed on pages 6 and 7. This required the District to report its proportionate share of the unfunded pension liability of District employee's retirement systems (STRS and SERS). The District makes all legally and contractually required contributions to the retirement systems; however, GASB 68 requires the District to report its proportionate share of the retirement systems unfunded pension liabilities. The unfunded liabilities may be alleviated in the future by increasing the employee and/or employer legally required contributions; however, this has not occurred and is not likely to occur in the near future.

Fiscal Year 2016 – The phase-out of additional Tangible Personal Property tax monies began once again, reducing TPP revenues by more than $1,000,000 this year. However, the State provided temporary relief by backfilling additional monies on a temporary basis for fiscal year 2016 and 2017 in order to hold the district harmless.

Fiscal Year 2017 – The phase-out of additional Tangible Personal Property tax monies continued, reducing TPP revenues by more than $1,000,000 this year. However, the State provided temporary relief by backfilling additional monies on a temporary basis for fiscal year 2016 and 2017 in order to hold the district harmless.

Fiscal Year 2018 – In 2018 the Board acted to reduce debt millage by 1.60 mills effective with Calendar Year 2019 collections. On May 8, 2018 the District passed a new incremental tax levy of 8.50 mills. 1.60 operating mills will begin to be collected by the District beginning January 1, 2019, while the remaining 6.90 operating mills will begin to be collected beginning January 1, 2020.

The District closed out its fiscal year on June 30, 2018 on a positive note staying within the total appropriations approved by the Board of Education and spending what was anticipated for the year. The District's ability to carry its cost saving measures into fiscal year 2019 and beyond has continued to prove beneficial to the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 Tim Pickana, Treasurer of the Solon City School District at 33800 Inwood Road, Solon, Ohio 44139, or e-mail at timpickana@solonboe.org.

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 56,669,591
Receivables:	
Property taxes	57,704,782
Payment in lieu of taxes	463,612
Accounts	25,102
Accrued interest	159,496
Intergovernmental	1,010,502
Prepayments	134,755
Materials and supplies inventory	97,496
Inventory held for resale	27,593
Capital assets:	
Nondepreciable capital assets	6,676,428
Depreciable capital assets, net	35,870,754
Capital assets, net	42,547,182
Total assets	158,840,111
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	121,667
Pension (Note 13)	25,965,857
OPEB (Note 14)	881,496
Total deferred outflows of resources	26,969,020
Liabilities:	
Accounts payable	1,273,692
Contracts payable	2,382,821
Accrued wages and benefits payable	5,624,753
Intergovernmental payable	100,735
Pension and postemployment benefits payable	1,173,711
Accrued interest payable	12,690
Unearned revenue	1,450
Claims payable	7,401
Long-term liabilities:	
Due within one year	2,833,191
Due in more than one year:	
Net pension liability (Note 13)	87,321,529
Net OPEB liability (Note 14)	20,019,067
Other amounts due in more than one year	11,653,615
Total liabilities	132,404,655
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	47,739,561
Payment in lieu of taxes levied for the next fiscal year	463,612
Pension (Note 13)	6,966,947
OPEB (Note 14)	3,012,884
Total deferred inflows of resources	58,183,004
Net position:	
Net investment in capital assets	34,518,086
Restricted for:	
Capital projects	6,399,041
Debt service	4,004,150
Locally funded programs	206,468
State funded programs	102,791
Federally funded programs	670,460
Student activities	4,873
Unrestricted (deficit)	(50,684,397)
Total net position (deficit)	$ (4,778,528)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 16,546,514	$ 900,405	$ 49,154	$ (15,596,955)
Special	4,241,868	482,034	263,715	(3,496,119)
Vocational	157,599	-	8,855	(148,744)
Other	137,773	-	271,552	133,779
Support services:				
Pupil	1,712,287	1,964	909,469	(800,854)
Instructional staff	966,571	-	91,341	(875,230)
Board of education	24,140	-	-	(24,140)
Administration	1,903,481	-	-	(1,903,481)
Fiscal	1,246,327	-	-	(1,246,327)
Business	1,232,488	-	-	(1,232,488)
Operations and maintenance	5,271,042	166,257	-	(5,104,785)
Pupil transportation	2,059,391	-	101,081	(1,958,310)
Central	551,518	-	23,402	(528,116)
Operation of non-instructional services:				
Food service operations	1,202,590	1,302,851	250,004	350,265
Other non-instructional services	387,904	170,561	325,854	108,511
Extracurricular activities	1,122,007	361,795	4,910	(755,302)
Interest and fiscal charges	209,581	-	-	(209,581)
Total governmental activities	38,973,081	3,385,867	2,299,337	(33,287,877)
	General revenues:			
	Property taxes levied for:			
	General purposes			54,948,151
	Debt service			2,090,350
	Capital outlay			1,810,501
	Payments in lieu of taxes			1,960,249
	Grants and entitlements not restricted to specific programs			14,550,470
	Investment earnings			784,793
	(Decrease) in fair value of investments			(333,780)
	Miscellaneous			302,885
	Total general revenues			76,113,619
	Change in net position			42,825,742
	Net position (deficit) at beginning of year (restated).			(47,604,270)
	Net position (deficit) at end of year.			$ (4,778,528)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	$ 45,026,764	$ 3,662,838	$ 7,164,759	$ 55,854,361
Receivables:				
Property taxes	54,793,041	1,103,508	1,808,233	57,704,782
Payment in lieu of taxes	463,612	-	-	463,612
Accounts	25,102	-	-	25,102
Accrued interest	159,496	-	-	159,496
Interfund loans	260,000	-	-	260,000
Intergovernmental	278,385	-	732,117	1,010,502
Prepayments	134,755	-	-	134,755
Materials and supplies inventory	92,898	-	4,598	97,496
Inventory held for resale	15,683	-	11,910	27,593
Total assets	$ 101,249,736	$ 4,766,346	$ 9,721,617	$ 115,737,699
Liabilities:				
Accounts payable	$ 768,385	$ -	$ 505,307	$ 1,273,692
Contracts payable	1,473,547	-	909,274	2,382,821
Accrued wages and benefits payable	5,568,395	-	56,358	5,624,753
Compensated absences payable	170,146	-	-	170,146
Intergovernmental payable	99,913	-	822	100,735
Pension and postemployment benefits payable	1,165,581	-	8,130	1,173,711
Interfund loans payable	-	-	260,000	260,000
Unearned revenue	1,450	-	-	1,450
Total liabilities	9,247,417	-	1,739,891	10,987,308
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	45,479,513	749,506	1,510,542	47,739,561
Payment in lieu of taxes levied for the next fiscal year.	463,612	-	-	463,612
Delinquent property tax revenue not available	2,102,713	42,348	69,392	2,214,453
Intergovernmental revenue not available	-	-	732,117	732,117
Accrued interest not available	63,011	-	-	63,011
Total deferred inflows of resources	48,108,849	791,854	2,312,051	51,212,754
Fund balances:				
Nonspendable:				
Materials and supplies inventory	92,898	-	4,598	97,496
Prepaids	134,755	-	-	134,755
Restricted:				
Debt service	-	3,974,492	-	3,974,492
Capital improvements	-	-	5,420,375	5,420,375
Non-public schools	-	-	31,471	31,471
Other purposes	-	-	269,914	269,914
Extracurricular	-	-	4,873	4,873
Assigned:				
Student instruction	1,502,500	-	-	1,502,500
Student and staff support	2,122,184	-	-	2,122,184
Extracurricular activities	31,059	-	-	31,059
Facilities acquisition and construction	552,878	-	-	552,878
School supplies	215,356	-	-	215,356
Subsequent year appropriations	9,971,300	-	-	9,971,300
Other purposes	630,708	-	-	630,708
Unassigned (deficit)	28,639,832	-	(61,556)	28,578,276
Total fund balances	43,893,470	3,974,492	5,669,675	53,537,637
Total liabilities, deferred inflows and fund balances	$ 101,249,736	$ 4,766,346	$ 9,721,617	$ 115,737,699

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total governmental fund balances		$ 53,537,637
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		42,547,182
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.		
Delinquent property taxes receivable	$ 2,214,453	
Accrued interest receivable	63,011	
Intergovernmental receivable	732,117	
Total		3,009,581
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		807,829
Unamortized premiums on bonds issued are not recognized in the funds.		(169,942)
Unamortized deferred charges on debt refundings are not recognized in the funds.		121,667
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(12,690)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows - Pension	25,965,857	
Deferred inflows - Pension	(6,966,947)	
Net pension liability	(87,321,529)	
Total		(68,322,619)
The net OPEB liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows - OPEB	881,496	
Deferred inflows - OPEB	(3,012,884)	
Net OPEB liability	(20,019,067)	
Total		(22,150,455)
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	(4,175,000)	
General obligation notes	(1,423,000)	
Compensated absences	(8,548,718)	
Total		(14,146,718)
Net position of governmental activities		$ (4,778,528)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

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

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	$ 54,748,917	$ 2,121,827	$ 1,803,874	$ 58,674,618
Payment in lieu of taxes	1,493,188	-	467,061	1,960,249
Tuition	974,544	-	-	974,544
Earnings on investments	816,046	-	1,222	817,268
(Decrease) in fair value of investments	(333,780)	-	-	(333,780)
Charges for services	-	-	1,302,851	1,302,851
Extracurricular	260	-	192,805	193,065
Classroom materials and fees	273,937	-	-	273,937
Rental income	166,257	-	-	166,257
Contributions and donations	38,682	-	11,879	50,561
Contract services	-	-	169,797	169,797
Other local revenues	593,991	-	21,355	615,346
Intergovernmental - state	14,528,880	213,779	417,241	15,159,900
Intergovernmental - federal	-	-	1,547,736	1,547,736
Total revenues	73,300,922	2,335,606	5,935,821	81,572,349
Expenditures:				
Current:				
Instruction:				
Regular	32,850,771	-	804,566	33,655,337
Special	8,748,046	-	60,067	8,808,113
Vocational	148,211	-	-	148,211
Other	96,272	-	303,306	399,578
Support services:				
Pupil	3,187,862	-	899,275	4,087,137
Instructional staff	2,073,755	-	64,677	2,138,432
Board of education	38,985	-	-	38,985
Administration	4,258,309	-	-	4,258,309
Fiscal	1,699,746	29,514	-	1,729,260
Business	1,561,171	-	-	1,561,171
Operations and maintenance	7,631,357	-	-	7,631,357
Pupil transportation	3,566,228	-	-	3,566,228
Central	841,359	-	-	841,359
Operation of non-instructional services:				
Food service operations	-	-	1,664,658	1,664,658
Other non-instructional services	129,427	-	279,183	408,610
Extracurricular activities	1,736,201	-	167,071	1,903,272
Facilities acquisition and construction	2,408,270	-	3,301,609	5,709,879
Debt service:				
Principal retirement	-	575,000	-	575,000
Interest and fiscal charges	-	160,571	-	160,571
Accretion on capital appreciation bonds	-	460,000	-	460,000
Total expenditures	70,975,970	1,225,085	7,544,412	79,745,467
Excess of revenues over (under) expenditures	2,324,952	1,110,521	(1,608,591)	1,826,882
Other financing sources (uses):				
Sale of capital assets	41,153	-	-	41,153
Transfers in	-	-	100,000	100,000
Transfers (out)	(100,000)	-	-	(100,000)
Total other financing sources (uses)	(58,847)	-	100,000	41,153
Net change in fund balances	2,266,105	1,110,521	(1,508,591)	1,868,035
Fund balances at beginning of year	41,627,365	2,863,971	7,178,266	51,669,602
Fund balances at end of year	$ 43,893,470	$ 3,974,492	$ 5,669,675	$ 53,537,637

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOLON CITY SCHOOL DISTRICT
CUYAHOGA 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		$ 1,868,035
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$ 5,130,413	
Current year depreciation	(2,786,974)	
Total		2,343,439
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(113,193)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property tax revenue	174,384	
Interest revenue	(31,253)	
Intergovernmental	83,343	
Total		226,474
Repayment of bond and capital lease principal is an expenditure in the funds; however, the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	545,000	
Capital appreciation bonds	30,000	
Accreted interest on capital appreciation bonds	460,000	
Total		1,035,000
In the statement of activities, interest is accrued on outstanding bonds and notes, 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:		
Decrease in accrued interest payable	18,696	
Accreted interest on capital appreciation bonds	(76,911)	
Amortization of bond premiums	31,374	
Amortization of deferred charges on debt refundings	(22,169)	
Total		(49,010)
Contractually required pension contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		6,274,225
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		28,195,827
Contractually required OPEB contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		238,695
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		3,071,779
Some expenses reported in the statement of activities, such as compensated absences, do not require require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(364,860)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		99,331
Change in net position of governmental activities		$ 42,825,742

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Property taxes	$ 51,873,171	$ 51,873,171	$ 56,513,152	$ 4,639,981
Payment in lieu of taxes	522,698	522,698	430,259	(92,439)
Tuition	1,181,064	1,181,064	972,194	(208,870)
Earnings on investments	897,092	897,092	738,442	(158,650)
Extracurricular	316	316	260	(56)
Classroom materials and fees	127,273	127,273	104,765	(22,508)
Rental income	225,529	225,529	185,644	(39,885)
Other local revenues	647,801	647,801	533,238	(114,563)
Intergovernmental - state	17,459,412	17,459,412	14,371,732	(3,087,680)
Total revenues	72,934,356	72,934,356	73,849,686	915,330
Expenditures:				
Current:				
Instruction:				
Regular	35,791,745	35,791,745	34,112,275	1,679,470
Special	9,603,233	9,603,233	9,067,050	536,183
Vocational	198,663	198,663	191,000	7,663
Other	130,398	130,398	112,173	18,225
Support services:				
Pupil	3,374,453	3,374,453	3,234,833	139,620
Instructional staff	2,321,671	2,321,671	2,121,219	200,452
Board of education	84,018	84,018	58,560	25,458
Administration	4,480,964	4,480,964	4,277,335	203,629
Fiscal	1,907,465	1,907,465	1,743,639	163,826
Business	3,992,275	3,992,275	2,641,092	1,351,183
Operations and maintenance	10,327,973	10,327,973	8,765,673	1,562,300
Pupil transportation	4,277,375	4,277,375	3,711,120	566,255
Central	1,100,054	1,100,054	960,435	139,619
Extracurricular activities	1,741,909	1,741,909	1,618,080	123,829
Facilities acquisition and construction	15,309,782	15,309,782	8,213,494	7,096,288
Total expenditures	94,641,978	94,641,978	80,827,978	13,814,000
Excess of expenditures over revenues	(21,707,622)	(21,707,622)	(6,978,292)	14,729,330
Other financing sources (uses):				
Transfers (out)	(104,012)	(104,012)	(100,000)	4,012
Advances in	668,164	668,164	550,000	(118,164)
Advances (out)	(270,431)	(270,431)	(260,000)	10,431
Sale of capital assets	54,283	54,283	44,683	(9,600)
Total other financing sources (uses)	348,004	348,004	234,683	(113,321)
Net change in fund balance	(21,359,618)	(21,359,618)	(6,743,609)	14,616,009
Fund balance at beginning of year	34,104,330	34,104,330	34,104,330	-
Prior year encumbrances appropriated	10,571,161	10,571,161	10,571,161	-
Fund balance at end of year	$ 23,315,873	$ 23,315,873	$ 37,931,882	$ 14,616,009

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
Assets:	
Current:	
Equity in pooled cash and investments	$ 815,230
Liabilities:	
Current:	
Claims payable	7,401
Net position:	
Unrestricted.	807,829
Total net position.	$ 807,829

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

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

		Governmental Activities - Internal Service Fund
Operating revenues:		
Charges for services.	$	1,362,897
Operating expenses:		
Claims		1,263,566
Operating income / change in net position . . .		99,331
Net position at beginning of year.		708,498
Net position at end of year	$	807,829

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

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

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services.	$ 1,362,897
Cash payments for purchased services	(36,057)
Cash payments for claims	(2,692,527)
Net cash used in operating activities	(1,365,687)
Net decrease in cash and cash equivalents	(1,365,687)
Cash and cash equivalents at beginning of year . . .	2,180,917
Cash and cash equivalents at end of year	$ 815,230
Reconciliation of operating income to net provided by operating activities:	
Operating income	$ 99,331
Changes in assets and liabilities:	
Decrease in accounts payable	(33,018)
Decrease in claims payable	(1,432,000)
Net cash used in operating activities	$ (1,365,687)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Agency
Assets:	
Equity in pooled cash and investments . . .	$ 288,132
Liabilities:	
Accounts payable.	$ 570
Due to students.	287,562
Total liabilities	$ 288,132

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Solon 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 operates under a locally elected five-member Board of Education and provides educational services as mandated by State and/or federal agencies. The District operates four elementary schools (K-4), one lower middle school (5-6), one upper middle school (7-8), and one high school (9-12). The Board oversees the operations of the District's seven instructional facilities. The District employs 303 non-certified, 335 certified, and 22 administrative employees to provide services to approximately 4,559 students and community members.

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

A. Reporting Entity

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District is associated with a jointly governed organization and a public entity risk pool.

JOINTLY GOVERNED ORGANIZATION

<u>The Ohio Schools' Council Association</u>
The Ohio Schools' Council Association (Council) is a jointly governed organization among 201 school districts, educational service centers, joint vocational districts, and Developmental Disabilities boards in 33 Ohio counties. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools' Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The District participates in the natural gas purchase program. This program allows the District to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager. There are currently 151 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). School districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and school districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The District participates in the Council's electric purchase program. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for in the program for either a two-year period or an eight and one-half year period depending upon electric generation area. FirstEnergy Solutions has been selected as the supplier for the program. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to the actual usage for the year and any necessary adjustments are made.

PUBLIC ENTITY RISK POOL

The Ohio Schools' Council Workers' Compensation Group Rating Program (the "Plan") is an insurance purchasing pool (See Note 11.C.). The plan is intended to reduce premiums for the participants. The Workers' Compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

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.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds consist of enterprise funds and internal service funds. The District has only an internal service fund.

Internal Service Fund - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The internal service fund of the District accounts for a self-insurance program which provides medical, dental and vision benefits to employees. Effective September 1, 2017, the District discontinued its self-insurance program (see Note 11.B).

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities and for collections made on behalf of and for distribution to the Ohio High School Athletic Association.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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. For the District, see Notes 13 and 14 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, payments in lieu of 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 13 and 14 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.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported as donated commodities revenue with a like amount reported as materials and supplies expense in the proprietary fund statements.

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

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

F. Cash and Investments

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

During fiscal year 2018, investments were limited to Federal National Mortgage Association (FNMA) securities, Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal Farm Credit Bank (FFCB) securities, U.S Treasury Notes, negotiable certificates of deposit (negotiable CD's), and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures 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.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $816,046 which includes $171,472 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased 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 fiscal year end is provided in Note 4.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 on the government-wide statements and the fund financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by 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, school supplies held for resale, donated food and purchased food.

H. Capital Assets

All capital assets of the District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of $5,000 for its general capital assets. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land improvements	10 - 30 years
Buildings and improvements	20 - 40 years
Furniture and equipment	5 - 20 years
Buses and other vehicles	8 years

I. Interfund Balances

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

A liability for sick leave is accrued using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and other long-term obligations are recognized as a liability in the fund financial statements when due.

L. 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. It also includes the long-term amount of loans receivable. For the District, nonspendable fund balance at year-end consisted of materials and supplies inventory and prepayments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted 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 the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Net Position

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Non-Public Schools

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

O. Estimates

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenue.

Q. Interfund Activity

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

R. 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.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2018, the District had no extraordinary or special items.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

T. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

For advance refunding 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 accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

U. Fair Value Measurements

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 Pensions*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*" GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 86, "*Certain Debt Extinguishments*".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (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 14 to the basic financial statements, and added required supplementary information which is presented on pages 82 - 95.

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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 at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	$ (22,143,341)
Deferred outflows - payments subsequent to measurement date	177,768
Net OPEB liability	(25,638,697)
Restated net position at July 1, 2017	$ (47,604,270)

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:

Nonmajor funds	Deficit
Food services	$ 9,045
IDEA Part B	21,339
Improving teacher quality	16,574
Miscellaneous federal grants	10,000

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.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

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

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

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

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

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

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

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five 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 classifications by at least two nationally recognized rating agencies.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of 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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the District had $1,296 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and investments”.

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was $7,079,703. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2018, $7,459,190 of the District’s bank balance of $7,759,201 was exposed to custodial risk as discussed below, while $300,011 was covered by the Federal Deposit Insurance Corporation.

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 rate set by the Treasurer of State. For 2018, the District’s financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

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

		Investment Maturities				
Measurement/ Investment type	Measurement Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater Than 24 months
Fair Value:						
FFCB	$ 3,853,004	$ 2,988,870	$ 494,545	$ -	$ 369,589	$ -
FHLB	196,548	-	-	-	196,548	-
FHLMC	4,634,218	-	595,188	3,744,730	-	294,300
FNMA	12,204,159	7,491,215	395,744	3,923,840	393,360	-
U.S. Treasury Note	11,434,713	-	-	495,470	9,604,270	1,334,973
Negotiable CDs	14,480,893	3,718,011	4,751,943	4,525,685	1,485,254	-
Amortized Cost:						
STAR Ohio	3,073,189	3,073,189	-	-	-	-
Total	$ 49,876,724	$ 17,271,285	$ 6,237,420	$ 12,689,725	$ 12,049,021	$ 1,629,273

The weighted average maturity of investments is 0.93 year.

The District's investments in federal agency securities (FFCB, FHLB, FHLMC, and FNMA), U.S. Treasury notes, 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).

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The negotiable CD's were fully covered by the FDIC. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, municipal securities and corporate note are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Measurement/ Investment type	Measurement Value	% of Total
Fair Value:		
FFCB	$ 3,853,004	7.73%
FHLB	196,548	0.39%
FHLMC	4,634,218	9.29%
FNMA	12,204,159	24.47%
U.S. Treasury Note	11,434,713	22.93%
Negotiable CDs	14,480,893	29.03%
Amortized Cost:		
STAR Ohio	3,073,189	6.16%
Total	$ 49,876,724	100.00%

D. Reconciliation of cash and investments to the statement of Net Position

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

Cash and investments per note	
Carrying amount of deposits	$ 7,079,703
Investments	49,876,724
Cash on hand	1,296
Total	$ 56,957,723
Cash and investments per statement of net position	
Governmental activities	$ 56,669,591
Agency fund	288,132
Total	$ 56,957,723

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2018, as reported on the fund statements:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 260,000

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

Interfund loans receivable/payable between governmental funds are eliminated for reporting on the statement of net position.

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

Transfers to nonmajor governmental funds from:	Amount
General fund	$ 100,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to 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.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

NOTE 6 - PROPERTY TAXES – (Continued)

The District receives property taxes from Cuyahoga County. The County Fiscal Officer 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 fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was $7,210,815 in the general fund, $311,654 in the debt service fund and $228,299 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was $7,912,121 in the general fund, $341,965 in the debt service fund and $250,502 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 1,168,980,270	97.00	$ 1,169,539,140	97.01
Public utility personal	36,201,080	3.00	36,042,980	2.99
Total	$ 1,205,181,350	100.00	$ 1,205,582,120	100.00
Tax rate per $1,000 of assessed valuation	$ 82.20		$ 82.20	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. Principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	$ 57,704,782
Payments in lieu of taxes	463,612
Accounts	25,102
Intergovernmental	1,010,502
Accrued interest	159,496
Total governmental activities	$ 59,363,494

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under Enterprise Zone Agreements ("EZAs") and the Ohio Community Reinvestment Area ("CRA") program within the taxing districts of the District. The EZAs and CRA program are direct incentive property tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, other governments have entered into such agreements. For the District, the City of Solon and the Village of Glenwillow have entered into agreements through these abatement programs that have caused a reduction to the District's property tax revenues.

During fiscal year 2018, the District's property tax revenues were reduced as follows:

Government Entering	Tax Abatement Program		District Forgone
Into Agreement	CRA	EZAs	Tax Revenue
City of Solon	$ 376,252	$ 188,120	$ 564,372
Village of Glenwillow	1,465,328	-	1,465,328
Total	$ 1,841,580	$ 188,120	$ 2,029,700

During fiscal year 2018, the District received $537,878 in compensation payments associated with the forgone property tax revenue. These compensation payments are reported as *payment in lieu of taxes* on the basic financial statements.

NOTE 9 - CAPITAL ASSETS

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

Governmental activities:	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 3,672,260	$ -	$ -	$ 3,672,260
Construction in progress	6,970,630	4,148,328	(8,114,790)	3,004,168
Total capital assets, not being depreciated	10,642,890	4,148,328	(8,114,790)	6,676,428
Capital assets, being depreciated:				
Land improvements	5,562,336	-	(708,900)	4,853,436
Buildings and improvements	60,378,759	8,492,089	-	68,870,848
Furniture and equipment	10,758,036	169,883	-	10,927,919
Buses and other vehicles	5,604,427	434,903	(411,523)	5,627,807
Total capital assets, being depreciated	82,303,558	9,096,875	(1,120,423)	90,280,010
Less: accumulated depreciation				
Land improvements	(3,952,360)	(170,051)	636,860	(3,485,551)
Buildings and improvements	(37,521,298)	(1,591,640)	-	(39,112,938)
Furniture and equipment	(7,695,590)	(650,176)	-	(8,345,766)
Buses and other vehicles	(3,460,264)	(375,107)	370,370	(3,465,001)
Total accumulated depreciation	(52,629,512)	(2,786,974)	1,007,230	(54,409,256)
Total capital assets, being depreciated, net	29,674,046	6,309,901	(113,193)	35,870,754
Governmental activities capital assets, net	$ 40,316,936	$ 10,458,229	$ (8,227,983)	$ 42,547,182

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NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 2,188,179
Special	22,904
Vocational	9,388
Support Services:	
Pupil	56,406
Instructional staff	58,104
Administration	16,375
Fiscal	1,268
Business	959
Operations and maintenance of plant	26,920
Pupil transportation	168,398
Central	959
Operation of non-instructional services:	
Other non-instructional services	3,286
Food service operations	104,700
Extracurricular activities	129,128
Total depreciation expense	$ 2,786,974

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NOTE 10 - LONG-TERM OBLIGATIONS

A. The changes in the District's long-term obligations during the year consist of the following. The Long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due in One Year
Governmental activities:					
General obligation bonds:					
Series 2009 $4,020,000 Refunding:					
Capital appreciation bonds	$ 30,000	$ -	$ (30,000)	$ -	$ -
Accreted interest	383,089	76,911	(460,000)	-	-
Series 2012 $3,550,000 Refunding:					
Current interest - 1.0 - 3.75%	2,565,000	-	(325,000)	2,240,000	345,000
Series 2015, Refunding 2.13%					
Current interest 2.13%	2,155,000	-	(220,000)	1,935,000	225,000
Total G.O. bonds	5,133,089	76,911	(1,035,000)	4,175,000	570,000
General obligation notes:					
Series 2017, 2.13%	1,423,000	-	-	1,423,000	1,423,000
Other long-term obligations:					
Net pension liability	123,620,292	-	(36,298,763)	87,321,529	-
Net OPEB liability	25,638,697	-	(5,619,630)	20,019,067	-
Compensated absences payable	8,430,037	1,239,083	(950,256)	8,718,864	840,191
Total other long-term obligations	157,689,026	1,239,083	(42,868,649)	116,059,460	840,191
Total governmental activities long-term obligations	164,245,115	1,315,994	(43,903,649)	121,657,460	2,833,191
Unamortized premiums	201,316	-	(31,374)	169,942	-
Total on statement of net position	$ 164,446,431	$ 1,315,994	$ (43,935,023)	$ 121,827,402	$ 2,833,191

Compensated absences - will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

Net Pension Liability - More information on the District's net pension liability information can be found in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability - More information on the District's net pension liability information can be found in Note 14. The District pays obligations related to employee compensation from the fund benefitting from their service.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds and Notes - will be repaid from property taxes in the debt service fund.

Series 2009 Refunding General Obligation Bonds
On September 3, 2009, the District issued general obligation bonds (Series 2009 refunding bonds) to advance refund the callable portion of the Series 2001 school improvement bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position (see Note 10.B).

The refunding issue was comprised of both current interest bonds, par value $3,990,000, and capital appreciation bonds par value $30,000. The interest rates on the current interest bonds range from 2.0 to 4.125 percent. The capital appreciation bonds mature on December 1, 2017 (effective interest rate 36.92 percent) at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $490,000. General obligation was fulfilled at June 30, 2018.

During fiscal year 2016, the District advance refunded the callable portion of the Series 2009 current interest refunding bonds through the issuance of the Series 2016 refunding notes. The District advance refunded $1,535,000 of the Series 2009 refunding bonds. The refunded portion of the Series 2009 refunding bonds are considered defeased (in-substance) and accordingly, has been removed from the statement of net position. After the refunding, the remaining portion of the Series 2009 current interest refunding bonds was $470,000 which matured in fiscal year 2017.

Series 2012 Refunding General Obligation Bonds
On July 17, 2012, the District issued general obligation bonds (Series 2012 Refunding Bonds) to advance refund the callable portion of the Series 2003 school improvement bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position (see Note 10.B).

The refunding issue was comprised of current interest bonds, par value $3,550,000. The interest rates on the current interest bonds range from 1.0 to 3.75 percent. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

The reacquisition price exceeded the net carrying amount of the old debt by $242,276. 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.

Series 2015 Refunding General Obligation Bonds
On September 3, 2015, the District issued general obligation bonds (Series 2015 refunding bonds) to advance refund the callable portion of the Series 2005 school improvement bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position (see Note 10.B).

The refunding issue was comprised of current interest bonds, par value $2,405,000. The interest rate on the current interest bonds is 2.13 percent. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2025.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by $8,116. 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.

Series 2016 Refunding General Obligation Notes
On May 5, 2016, the District issued general obligation notes (Series 2016 refunding notes) to advance refund the callable portion of the Series 2009 refunding bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position (see Note 10.B).

The refunding issue is comprised of a note payable in the amount of $1,535,000. The interest rate on the note is 0.85 percent and the notes matured on May 4, 2017.

The reacquisition price exceeded the net carrying amount of the old debt by $97,821. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which shorter than the life of the refunded debt.

Series 2017 General Obligation Notes
On April 20, 2017, the District issued $1,423,000 in general obligation notes (Series 2017 notes) to retire the Series 2016 refunding notes. The Series 2017 notes bear an interest rate of 2.13% and mature on December 1, 2018.

Future Debt Service Requirements
The following is a summary of the future debt service requirements to maturity for the District's general obligation bonds:

Fiscal Year	Current Interest General Obligation Bonds		
Ending June 30	Principal	Interest	Total
2019	$ 570,000	$ 113,488	$ 683,488
2020	585,000	96,171	681,171
2021	600,000	77,940	677,940
2022	620,000	58,912	678,912
2023	635,000	39,797	674,797
2024 - 2027	1,165,000	31,583	1,196,583
Total	$ 4,175,000	$ 417,891	$ 4,592,891

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. Defeased Debt

In fiscal year 2010, the District issued Series 2009 refunding bonds to advance refund the callable portion of the Series 2001 school improvement bonds. The advance refunding created a separate irrevocable trust for the retirement of the refunded bonds. The new bonds were issued and the proceeds were used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt is considered defeased and has been removed from the District's financial statements. As of June 30, 2018, the balance of the Series 2001 defeased debt outstanding, but removed from the financial statements, amounted to $2,015,000.

In fiscal year 2013, the District issued Series 2012 refunding bonds to advance refund the callable portion of the Series 2003 school improvement bonds. The advance refunding created a separate irrevocable trust for the retirement of the refunded bonds. The new bonds were issued and the proceeds were used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt is considered defeased and has been removed from the District's financial statements. As of June 30, 2018, the balance of the Series 2003 defeased debt outstanding, but removed from the financial statements, amounted to $2,325,000.

In fiscal year 2016, the District issued Series 2015 refunding bonds to advance refund the callable portion of the Series 2005 school improvement bonds. The advance refunding created a separate irrevocable trust for the retirement of the refunded bonds. The new bonds were issued and the proceeds were used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt is considered defeased and has been removed from the District's financial statements. As of June 30, 2018, the balance of the Series 2005 defeased debt outstanding, but removed from the financial statements, amounted to $2,005,000.

In fiscal year 2016, the District issued Series 2016 refunding notes to advance refund the callable portion of the Series 2009 refunding bonds. The advance refunding created a separate irrevocable trust for the retirement of the refunded bonds. The new notes were issued and the proceeds were used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt is considered defeased and has been removed from the District's financial statements. As of June 30, 2018, the balance of the Series 2009 defeased debt outstanding, but removed from the financial statements, amounted to $1,535,000.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

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 $108,301,883, including available funds of $3,974,492, and an unvoted debt margin of $1,205,582.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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. During 2018, the District contracted with the Ohio School Plan for the following insurance coverage:

Type of Coverage	Coverage
Property Coverage:	
Blanket buildings and contents	$ 203,221,793
Inland Marine:	
School band uniforms and equipment	100,000
Athletic and other equipment	100,000
Musical instruments	100,000
Audio visual equipment	100,000
Fine arts	50,000
Signs	10,000
Shop dwellings	Included Above

NOTE 11 - RISK MANAGEMENT - (Continued)

Type of Coverage	Coverage
Commercial Crime Coverage:	
Theft, disappearance and destruction	$ 25,000
Robbery and safe burglary	25,000
Computer fraud	250,000
Forgery or alterations	250,000
Employee dishonesty	1,000,000
Flood Coverage	1,000,000
Earthquake Coverage	1,000,000
Commercial Computer Coverage:	
Equipment	500,000
Extra expense	5,000
Auto Liability	1,000,000
Uninsured Motorist	250,000
Commercial General Liability:	
Each occurence	1,000,000
Fire damages	300,000
Medical expense limit	15,000
Personal and advertising injury	1,000,000
General aggregate	2,000,000
Products/completed operations aggregate	2,000,000
Employers Stop Gap Liability:	
Bodily injury by accident	1,000,000
Bodily injury by disease	1,000,000
Aggregate limit	1,000,000
School Leaders Errors and Omissions:	
Each wrongful act limit	1,000,000
Aggregate limit	1,000,000
Non-monetary relief defense	100,000
Sexual Misconduct and Molestation Liability:	
Each loss limit	1,000,000
Aggregate limit	1,000,000
Innocent party aggregate defense expense	300,000
Employee Benefits Liability:	
Employee Benefits Injury	
Each employee limit	1,000,000
Aggregate limit	3,000,000
Umbrella	10,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from fiscal year 2017.

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Employee Benefits

For the period July 1, 2017 through August 31, 2017, the District elected to contract with Medical Mutual of Ohio as a program administrator to provide medical, prescription drug, dental, and vision coverage for employees through a self-insured program. These benefits are accounted for in the internal service fund. An excess coverage insurance (stop loss) policy covered claims in excess of $250,000 per employee. The internal service fund payed for the costs of providing claims servicing and claims payment. The premium charged for family and single coverage is $850 per month for classified employees and certified employees. The benefits that were included in this lump sum premium are medical, prescription drug, dental, vision and life insurance.

Effective September 1, 2017, the District discontinued the self-insured program. For the period September 1, 2017 through June 30, 2018, the purchased employee medical, prescription drug, dental, and vision insurance coverage on a fully-insured basis through Medical Mutual of Ohio. The risk of loss transfers to Medical Mutual of Ohio upon payment of the premiums.

Upon discontinuance of the self-insurance program, the internal service fund reported run-out claims related to the former self-insurance program. The claims liability at June 30, 2018 represents claims paid in fiscal year 2019 related fiscal year 2018 and the former self-insurance program.

Changes in the claims liability for the past three fiscal years follows:

Fiscal Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
2018	$ 1,436,362	$ 1,263,566	$ (2,692,527)	$ 7,401
2017	1,320,900	8,925,893	(8,810,431)	1,436,362
2016	1,251,800	8,161,367	(8,092,267)	1,320,900

C. Workers' Compensation Program

For fiscal year 2018, the District participated in the Ohio Schools' Council Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The Workers' Compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan.

Each participant pays its Workers' Compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This equity pooling arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. Each year, the District pays an enrollment fee to the Plan to cover costs of administering the program

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement or separation with ten years of service credit, payment is made to classified employees for 100 percent of the total sick leave accumulation, up to a maximum accumulation of 100 days, and for one-fourth of the remaining accumulated sick leave with a maximum accumulation of 150 days for employees that retire within two years of retirement eligibility. Upon retirement, payment is made to teachers and administrators for 100 percent of total sick leave accumulation, with a maximum accumulation of 75 days and 100 percent of 100 days for administrators.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the 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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 benefits payable* on both the accrual and modified accrual bases of accounting.

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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The District's contractually required contribution to SERS was $1,528,447 for fiscal year 2018. Of this amount, $7,840 is reported as pension and postemployment benefits payable.

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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For 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 $4,745,778 for fiscal year 2018. Of this amount, $735,555 is reported as pension and postemployment benefits 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:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.34486630%	0.29390619%	
Proportion of the net pension liability current measurement date	0.32676650%	0.28540240%	
Change in proportionate share	-0.01809980%	-0.00850379%	
Proportionate share of the net pension liability	$ 19,523,577	$ 67,797,952	$ 87,321,529
Pension expense	$ (967,755)	$ (27,228,072)	$ (28,195,827)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 840,228	$ 2,618,039	$ 3,458,267
Changes of assumptions	1,009,580	14,828,157	15,837,737
Difference between District contributions and proportionate share of contributions/ change in proportionate share	156,139	239,489	395,628
District contributions subsequent to the measurement date	1,528,447	4,745,778	6,274,225
Total deferred outflows of resources	$ 3,534,394	$ 22,431,463	$ 25,965,857

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 546,425	$ 546,425
Net difference between projected and actual earnings on pension plan investments	92,677	2,237,411	2,330,088
Difference between District contributions and proportionate share of contributions/ change in proportionate share	851,139	3,239,295	4,090,434
Total deferred inflows of resources	$ 943,816	$ 6,023,131	$ 6,966,947

$6,274,225 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:	SERS	STRS	Total
2019	$ 517,972	$ 2,001,427	$ 2,519,399
2020	929,119	5,045,075	5,974,194
2021	70,175	3,921,512	3,991,687
2022	(455,135)	694,540	239,405
Total	$ 1,062,131	$ 11,662,554	$ 12,724,685

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US 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	100.00 %	

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

Sensitivity of the 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	$ 27,093,651	$ 19,523,577	$ 13,182,096

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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:

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	$ 97,186,057	$ 67,797,952	$ 43,042,879

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

The net OPEB liability represents the 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 benefits payable* on both the accrual and modified accrual bases of accounting.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .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 $182,086.

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 $238,695 for fiscal year 2018. Of this amount, $182,376 is reported as pension and postemployment benefits payable.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.34804316%	0.29390619%	
Proportion of the net OPEB liability current measurement date	0.33102040%	0.28540240%	
Change in proportionate share	-0.01702276%	-0.00850379%	
Proportionate share of the net OPEB liability	$ 8,883,718	$ 11,135,349	$ 20,019,067
OPEB expense	$ 391,097	$ (3,462,876)	$ (3,071,779)

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ -	$ 642,801	$ 642,801
District contributions subsequent to the measurement date	238,695	-	238,695
Total deferred outflows of resources	$ 238,695	$ 642,801	$ 881,496

	SERS	STRS	Total
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ 23,460	$ 475,950	$ 499,410
Changes of assumptions	843,019	896,990	1,740,009
Difference between District contributions and proportionate share of contributions/ change in proportionate share	383,650	389,815	773,465
Total deferred inflows of resources	$ 1,250,129	$ 1,762,755	$ 3,012,884

$238,695 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (450,310)	$ (226,321)	$ (676,631)
2020	(450,310)	(226,321)	(676,631)
2021	(343,644)	(226,321)	(569,965)
2022	(5,865)	(226,319)	(232,184)
2023	-	(107,333)	(107,333)
Thereafter	-	(107,339)	(107,339)
Total	$ (1,250,129)	$ (1,119,954)	$ (2,370,083)

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	$ 10,728,220	$ 8,883,718	$ 7,422,401

	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	$ 7,208,471	$ 8,883,718	$ 11,100,935

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.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

*10-Year 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.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	$ 14,949,027	$ 11,135,349	$ 8,121,297

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 7,736,363	$ 11,135,349	$ 15,608,811

NOTE 15 - 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 statement of revenue, 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) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

(e) 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

	General fund
Budget basis	$ (6,743,609)
Net adjustment for revenue accruals	(1,088,864)
Net adjustment for expenditure accruals	4,118,669
Net adjustment for other sources/uses	(293,530)
Funds budgeted elsewhere **	134,381
Adjustment for encumbrances	6,139,058
GAAP basis	$ 2,266,105

** Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the uniform school supplies fund, the adult education fund, and the public school support fund.

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not party to litigation that, in the opinion of management, would have a material effect on the financial condition of the District.

C. Foundation Funding

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

NOTE 17 - 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. 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	802,498
Current year offsets	(802,498)
Total	$ -
Balance carried forward to fiscal year 2019	$ -
Set-aside balance June 30, 2018	$ -

NOTE 18 - PAYMENT IN LIEU OF TAXES

A. Foreign Trade Zone and Community Reinvestment Area Tax Abatements

In March 2004, Swagelok Company, located within the District's limits, applied for and received an activated permanent General Purpose Foreign Trade Zone and a Community Reinvestment Area Tax Abatement in connection with a proposed expansion project. In connection with the above, the District entered into a Revenue Sharing Agreement with the Village of Glenwillow to compensate the District for a loss of anticipated revenues resulting from the Community Reinvestment Area and Foreign Trade Zone tax exemptions. During fiscal year 2018, the District received $457,061 in revenue as a result of the Revenue Sharing Agreement with the Village. In addition, the District received $10,000 related to a separate tax abatement agreement. During fiscal year 2018, the District received a total of $467,061 of payments in the permanent improvement fund (a nonmajor governmental fund) related to these agreements.

B. Tax Increment Financing Payments

The District receives TIF payments through the tax settlement process. During fiscal year 2018, the District received $430,259 in TIF payments in the general fund.

C. Enterprise Zone Revenue Sharing and Tax Abatement Agreements

The District received payment in lieu of taxes from and enterprise zone revenue sharing agreement with the City of Solon. In addition, the District receives payment in lieu of taxes related to various tax abatement and other agreements entered into by the District. During fiscal year 2018, the District received $1,062,929 of payments in the general fund related to these agreements.

NOTE 19 - OTHER COMMITMENTS

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

Fund	Year-End Encumbrances
General fund	$ 3,931,500
Debt service	10,000
Nonmajor governmental	417,892
Total	$ 4,359,392

REQUIRED SUPPLEMENTARY INFORMATION

SOLON CITY SCHOOL DISTRICT
CUYAHOGA 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

	2018	**2017**	**2016**	**2015**	**2014**
District's proportion of the net pension liability	0.32676650%	0.34486630%	0.33905270%	0.34192300%	0.34192300%
District's proportionate share of the net pension liability	$ 19,523,577	$ 25,241,031	$ 19,346,676	$ 17,304,528	$ 20,333,063
District's covered payroll	$ 10,945,643	$ 10,712,536	$ 10,207,253	$ 9,935,599	$ 9,605,448
District's proportionate share of the net pension liability as a percentage of its covered payroll	178.37%	235.62%	189.54%	174.17%	211.68%
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

SOLON CITY SCHOOL DISTRICT
CUYAHOGA 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

	2018	2017	2016	2015	2014
District's proportion of the net pension liabilit	0.28540240%	0.29390619%	0.29267132%	0.30402166%	0.30402166%
District's proportionate share of the net pension liability	$ 67,797,952	$ 98,379,261	$ 80,885,792	$ 73,948,589	$ 88,087,076
District's covered payroll	$ 31,951,221	$ 31,273,721	$ 30,858,793	$ 31,062,615	$ 32,557,777
District's proportionate share of the net pension liability as a percentage of its covered payroll	212.19%	314.57%	262.12%	238.06%	270.56%
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

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 1,528,447	$ 1,532,390	$ 1,499,755	$ 1,345,316
Contributions in relation to the contractually required contribution	(1,528,447)	(1,532,390)	(1,499,755)	(1,345,316)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 11,321,830	$ 10,945,643	$ 10,712,536	$ 10,207,253
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
$ 1,377,074	$ 1,329,394	$ 1,281,853	$ 1,209,568	$ 1,328,939	$ 946,664
(1,377,074)	(1,329,394)	(1,281,853)	(1,209,568)	(1,328,939)	(946,664)
$ -	$ -	$ -	$ -	$ -	$ -
$ 9,935,599	$ 9,605,448	$ 9,530,506	$ 9,622,657	$ 9,814,911	$ 9,620,569
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 4,745,778	$ 4,473,171	$ 4,378,321	$ 4,320,231
Contributions in relation to the contractually required contribution	(4,745,778)	(4,473,171)	(4,378,321)	(4,320,231)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 33,898,414	$ 31,951,221	$ 31,273,721	$ 30,858,793
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
$ 4,038,140	$ 4,232,511	$ 4,097,199	$ 4,388,860	$ 4,391,250	$ 4,323,710
(4,038,140)	(4,232,511)	(4,097,199)	(4,388,860)	(4,391,250)	(4,323,710)
$ -	$ -	$ -	$ -	$ -	$ -
$ 31,062,615	$ 32,557,777	$ 31,516,915	$ 33,760,462	$ 33,778,846	$ 33,259,308
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

SOLON CITY SCHOOL DISTRICT
CUYAHOGA 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

	2018	**2017**
District's proportion of the net OPEB liability	0.33102040%	0.34804316%
District's proportionate share of the net OPEB liability	$ 8,883,718	$ 9,920,518
District's covered payroll	$ 10,945,643	$ 10,712,536
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.16%	92.61%
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

SOLON CITY SCHOOL DISTRICT
CUYAHOGA 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

	2018	2017
District's proportion of the net OPEB liability	0.28540240%	0.29390619%
District's proportionate share of the net OPEB liability	$ 11,135,349	$ 15,718,179
District's covered payroll	$ 31,951,221	$ 31,273,721
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.85%	50.26%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.33%

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

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 238,695	$ 177,768	$ 169,929	$ 247,733
Contributions in relation to the contractually required contribution	(238,695)	(177,768)	(169,929)	(247,733)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 11,321,830	$ 10,945,643	$ 10,712,536	$ 10,207,253
Contributions as a percentage of covered payroll	2.11%	1.62%	1.59%	2.43%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2014	2013	2012	2011	2010	2009
	$ 170,859	$ 155,832	$ 195,709	$ 284,827	$ 186,268	$ 582,667
	(170,859)	(155,832)	(195,709)	(284,827)	(186,268)	(582,667)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 9,935,599	$ 9,605,448	$ 9,530,506	$ 9,622,657	$ 9,814,911	$ 9,620,569
	1.72%	1.62%	2.05%	2.96%	1.90%	6.06%

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 33,898,414	$ 31,951,221	$ 31,273,721	$ 30,858,793
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
$ 334,231	$ 325,578	$ 315,169	$ 337,605	$ 337,788	$ 332,593
(334,231)	(325,578)	(315,169)	(337,605)	(337,788)	(332,593)
$ -	$ -	$ -	$ -	$ -	$ -
$ 31,062,615	$ 32,557,777	$ 31,516,915	$ 33,760,462	$ 33,778,846	$ 33,259,308
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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 changed 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)

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 years 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 2019.

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.

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SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

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

Federal Grantor/ *Pass-Through Grantor/* Program or Cluster Title	**Federal CFDA Number**	**Pass-Through Entity Number**	**Receipts**	**Non-Cash Receipts**	**Expenditures**	**Non-Cash Expenditures**
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through State Department of Education:						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	10.555	N/A	$ -	$ 65,612		$ 65,612
Cash Assistance:						
National School Lunch Program	10.555	LLP42018	191,001	-	191,001	-
Total Child Nutrition Cluster			191,001	65,612	191,001	65,612
Total U.S. Department of Agriculture			**191,001**	**65,612**	**191,001**	**65,612**
U.S. DEPARTMENT OF EDUCATION						
Passed through State Department of Education:						
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies	84.010	C1-S1 2017	167,530	-	167,530	-
Title I Grants to Local Educational Agencies	84.010	C1-S1 2018	135,776	-	135,776	-
Total Title I, Part A Cluster			303,306	-	303,306	-
Special Education Cluster (IDEA):						
Special Education - Grants to States (IDEA, Part B)	84.027	6B-SF 2017	433,814	-	429,674	-
Special Education - Grants to States (IDEA, Part B)	84.027	6B-SF 2018	467,906	-	489,245	-
Total Special Education - Grants to States (IDEA, Part B)			901,720	-	918,919	-
Special Education - Preschool Grants (IDEA Preschool)	84.173	PG-S1 2017	13,144	-	13,144	-
Special Education - Preschool Grants (IDEA Preschool)	84.173	PG-S1 2018	8,995	-	8,995	-
Total Special Education Preschool Grants (IDEA Preschool)			22,139	-	22,139	-
Total Special Education Cluster			923,859	-	941,058	-
English Language Acquisition Grants	84.365	T3-S1 2017	15,562	-	15,562	-
English Language Acquisition Grants	84.365	T3-S1 2018	20,302		20,308	
English Language Acquisition Grants	84.365	T3-S1 2017	-		-	
English Language Acquisition Grants	84.365	T3-S1 2018	2,058	-	2,058	-
Total English Language Acquisition Grants			37,922	-	37,928	-
Improving Teacher Quality State Grants	84.367	TR-S1 2017	13,365	-	13,365	-
Improving Teacher Quality State Grants	84.367	TR-S1 2018	25,897	-	41,966	-
Total Improving Teacher Quality State Grants			39,262	-	55,331	-
Title IV-A Student Support and Academic Enrichment	84.424A	84.424A2018	-		10,000	
Total U.S. Department of Education			**1,304,349**	**-**	**1,347,623**	**-**
Total Federal Financial Assistance			**$ 1,495,350**	**$ 65,612**	**$ 1,538,624**	**$ 65,612**

See the notes to the schedule of federal awards receipts and expenditures

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) includes the federal award activity of **Solon City School District,** Cuyahoga County, Ohio (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

The District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

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

December 31, 2018

Solon City School District
Cuyahoga County
33800 Inwood Road
Solon, OH 44139

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Solon City School District**, Cuyahoga County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2018, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Perry & Associates CPA's A.C.

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Certified Public Accountants, A.C.
Marietta, Ohio

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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

December 31, 2018

Solon City School District
Cuyahoga County
33800 Inwood Road
Solon, OH 44139

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on 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 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 compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster: Special Education – Grants to States (IDEA, Part B) – CFDA #84.027 and Special Education – Preschool Grants (IDEA, Preschool) – CFDA #84.173
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

SOLON CITY SCHOOL DISTRICT

CUYAHOGA 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 14, 2019