ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

Dave Yost • Auditor of State

OHIO AUDITOR OF STATE
KEITH FABER

February 5, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Keith Faber
Auditor of State
Columbus, Ohio

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY
JUNE 30, 2018

TABLE OF CONTENTS

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY
JUNE 30, 2018

TABLE OF CONTENTS
(Continued)

INDEPENDENT AUDITOR'S REPORT

Alliance City School District
Stark County
200 Glamorgan St.
Alliance, Ohio 44601

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 10, 2019

This page intentionally left blank.

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position increased $16,471,477, which represents a 102 percent increase from 2017.

- Capital assets decreased $582,413 during fiscal year 2018.

- During the year, outstanding debt decreased from $8,316,820 to $7,588,906 due to principal payments made by the School District.

- The School District implemented GASB 75, which reduced beginning net position as previously reported by $11,261,815.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 17. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 22 and 23. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017:

Table 1
Net Position

	Governmental Activities	
	2018	Restated 2017
Assets		
Current and Other Assets	$ 25,806,553	$ 25,712,737
Capital Assets	38,972,795	39,555,208
Total Assets	64,779,348	65,267,945
Deferred Outflows of Resources		
Pension & OPEB	13,695,395	11,069,435
Liabilities		
Current Liabilities	5,214,210	4,987,905
Long-Term Liabilities:		
Due Within One Year	1,097,517	1,115,880
Due in More Than One Year		
Pension & OPEB	50,643,244	67,537,207
Other Amounts	10,294,292	10,192,916
Total Liabilities	67,249,263	83,833,908
Deferred Inflows of Resources		
Property Taxes	7,778,038	7,611,677
Pension & OPEB	3,128,904	1,044,734
Total Deferred Inflows of Resources	10,906,942	8,656,411
Net Position		
Net Investment in Capital Assets	35,570,848	34,492,637
Restricted	4,025,027	5,301,404
Unrestricted	(39,277,337)	(55,946,980)
Total Net Position	$ 318,538	$ (16,152,939)

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($4,891,124) to ($16,152,939).

At year end, capital assets represented 60 percent of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets was $35,570,848 at June 30, 2018. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, $4,025,027 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of $39,277,337 which has primarily been caused by GASB 68/75.

The significant decrease in net pension liability is largely the result of a change in benefit terms in which STRS reduced their COLA to zero coupled by a slight reduction in COLA benefits by SERS. The significant increase in deferred outflows and inflows related to pension/OPEB are primarily from the change of assumptions and the difference in projected and actual investments earnings, respectively. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL and are described in more detail in their respective notes.

Table 2 shows the changes in net position for fiscal year 2018 and 2017.

Table 2
Changes in Net Position

	2018	2017
Revenues		
Program Revenues:		
Charges for Services	$ 2,553,183	$ 2,086,325
Operating Grants	7,876,958	8,212,647
Capital Grants	5,550	224,416
Total Program Revenues	10,435,691	10,523,388
General Revenues:		
Property Taxes	8,431,039	7,881,367
Grants and Entitlements Not Restricted	24,279,436	23,329,080
Other	254,764	268,171
Total General Revenues	32,965,239	31,478,618
Total Revenues	43,400,930	42,002,006
Program Expenses		
Instruction:		
Regular	9,639,175	17,496,640
Special	3,291,850	6,650,692
Vocational	578,810	1,461,988
Adult/Continuing	176,296	528,731
Student Intervention Services	326,483	318,080
Other	(189,315)	37,026
Support Services:		
Pupils	1,057,170	1,852,333
Instructional Staff	719,615	1,461,995
Board of Education	55,896	52,359
Administration	1,574,001	2,674,996
Fiscal	674,798	761,659
Business	488,014	433,242
Operation and Maintenance of Plant	3,930,956	3,876,891
Pupil Transportation	1,252,062	1,291,182
Central	412,377	388,387
Operation of Non-Instructional Services:		
Food Service Operations	1,894,227	1,612,999
Community Services	137,958	123,804
Extracurricular Activities	559,391	1,051,636
Debt Service:		
Interest and Fiscal Charges	349,689	479,186
Issuance Costs	0	34,760
Total Expenses	26,929,453	42,588,586
Increase (Decrease) in Net Position	16,471,477	(586,580)
Net Position at Beginning of Year	(16,152,939)	N/A
Net Position at End of Year	$ 318,538	$ (16,152,939)

Charges for services increased primarily due to an increase in tuition for open enrollment as well as a new one year nursing program in fiscal year 2018.

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 $77,260 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $1,394,253. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	$ 26,929,453
Negative OPEB Expense under GASB 75	1,394,253
2018 Contractually Required Contribution	104,093
Adjusted 2018 Program Expenses	28,427,799
Total 2017 Program Expenses under GASB 45	42,588,586
Decrease in Program Expenses not Related to OPEB	$ (14,160,787)

The previously discussed decrease in NPL and NOL, substantially decreased all instructional, support services and extracurricular activities expenses compared to fiscal year 2017. The negative expense reposted by the other instruction function was also caused by these accruals.

This space intentionally left blank.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2018	2017	2018	2017
Instruction:				
Regular	$ 9,639,175	$ 17,496,640	$ 8,157,962	$ 16,177,760
Special	3,291,850	6,650,692	(1,379,086)	1,936,602
Vocational	578,810	1,461,988	261,575	1,068,257
Adult/Continuing	176,296	528,731	(389,198)	66,841
Student Intervention Services	326,483	318,080	326,483	318,080
Other	(189,315)	37,026	(237,681)	37,026
Support Services:				
Pupils	1,057,170	1,852,333	922,245	1,762,416
Instructional Staff	719,615	1,461,995	329,461	959,194
Board of Education	55,896	52,359	55,896	52,359
Administration	1,574,001	2,674,996	1,167,897	2,286,900
Fiscal	674,798	761,659	633,725	724,517
Business	488,014	433,242	467,593	422,668
Operation and Maintenance of Plant	3,930,956	3,876,891	3,910,872	3,637,735
Pupil Transportation	1,252,062	1,291,182	1,140,189	1,214,732
Central	412,377	388,387	314,685	301,353
Operation of Non-Instructional Services:				
Food Service Operations	1,894,227	1,612,999	216,336	(11,534)
Community Services	137,958	123,804	28,185	(3,769)
Extracurricular Activities	559,391	1,051,636	216,934	736,269
Debt Service:				
Interest and Fiscal Charges	349,689	479,186	349,689	343,032
Issuance Costs	0	34,760	0	34,760
Total Expenses	$ 26,929,453	$ 42,588,586	$ 16,493,762	$ 32,065,198

The dependence upon general revenues for governmental activities is apparent. Over 61 percent of governmental activities are supported through taxes and other general revenues; such revenues are 76 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

The total and net cost of services changes were primarily caused by the change in COLA related to NPL as previously discussed.

Governmental Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The net change in fund balances for the fiscal year was a decrease of $444,985 for all governmental funds.

The general fund's net change in fund balance for fiscal year 2018 was an increase of $211,032.

General Fund Budgeting Highlights

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

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

For the general fund, actual revenue and other financing sources was $1,914,705 higher than the final budget basis revenue of $34,269,924. The majority of this difference was due to an underestimation of State foundation.

Final appropriations of $36,714,008 were $674,355 higher than the actual expenditures and other financing uses of $36,039,653. This difference is due to a premium holiday and the timing of capital outlay expenditures for a bus purchase.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $38,972,795 invested in capital assets. Table 4 shows fiscal year 2018 balances compared with 2017.

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

	Governmental Activities	
	2018	2017
Land	$ 2,322,643	$ 2,322,643
Construction in Progress	51,235	32,300
Buildings and Improvements	34,525,314	35,575,624
Furniture and Equipment	1,300,459	1,097,367
Vehicles	773,144	527,274
Totals	$ 38,972,795	$ 39,555,208

The $582,413 decrease in capital assets was attributable to depreciation exceeding additional purchases in the current year. See Note 9 for more information about the capital assets of the School District.

Debt

At June 30, 2018, the School District had $7,588,906 in debt outstanding. See Note 14 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2018	2017
Various Serial and Term Bonds	$ 5,959,000	$ 5,989,000
Various Capital Appreciation Bonds	763,240	1,394,487
Capital Lease	866,666	933,333
Total	$ 7,588,906	$ 8,316,820

Current Issues

The Board of Education and administration closely monitor revenues and expenditures. The financial future of the School District relies heavily on the State's educational funding system. This funding system changes after each election. Due to the ever changing school funding system management is required to plan carefully to provide the resources to meet student needs into the future. The School District has challenges locally as well; property tax revenue fluctuates greatly from refunds, delinquencies and decreased taxable values. Losses of tangible personal property tax and reimbursement from the State will continue to place a financial strain on the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kirk Heath, Treasurer of the Alliance City School District, 200 Glamorgan St., Alliance, OH 44601 or heathki@alliancecityschools.org.

Alliance City School District
Stark County, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	$ 13,394,843
Investments Held with Trustee	1,244,524
Receivables:	
Accounts	95,799
Intergovernmental	915,572
Property Taxes	10,155,815
Nondepreciable Capital Assets	2,373,878
Depreciable Capital Assets (Net)	36,598,917
Total Assets	64,779,348
Deferred Outflows of Resources	
Pension	13,143,079
OPEB	552,316
Total Deferred Outflows of Resources	13,695,395
Liabilities	
Accounts Payable	149,803
Accrued Wages and Benefits	4,074,956
Contracts Payable	51,235
Intergovernmental Payable	796,478
Matured Compensated Absences Payable	39,585
Accrued Interest Payable	20,703
Accrued Vacation Payable	81,450
Long Term Liabilities:	
Due Within One Year	1,097,517
Due In More Than One Year:	
Net Pension Liability	41,370,811
Net OPEB Liability	9,272,433
Other Amonts Due in More Than One Year	10,294,292
Total Liabilities	67,249,263
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	7,778,038
Pension	2,085,552
OPEB	1,043,352
Total Deferred Inflows of Resources	10,906,942
Net Position	
Net Investment in Capital Assets	35,570,848
Restricted For:	
Debt Service	879,383
Other Purposes	3,145,644
Unrestricted	(39,277,337)
Total Net Position	$ 318,538

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grant, Contributions and Interest	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction:					
Regular	$ 9,639,175	$ 962,269	$ 518,944	$ 0	$ (8,157,962)
Special	3,291,850	519,709	4,151,227	0	1,379,086
Vocational	578,810	0	317,235	0	(261,575)
Adult/Continuing	176,296	447,800	117,694	0	389,198
Student Intervention Services	326,483	0	0	0	(326,483)
Other	(189,315)	0	48,366	0	237,681
Support Services:					
Pupils	1,057,170	19,413	115,512	0	(922,245)
Instructional Staff	719,615	801	389,353	0	(329,461)
Board of Education	55,896	0	0	0	(55,896)
Administration	1,574,001	189,796	216,308	0	(1,167,897)
Fiscal	674,798	32,266	8,807	0	(633,725)
Business	488,014	14,248	6,173	0	(467,593)
Operation and Maintenance of Plant	3,930,956	0	14,534	5,550	(3,910,872)
Pupil Transportation	1,252,062	0	111,873	0	(1,140,189)
Central	412,377	0	97,692	0	(314,685)
Operation of Non-Instructional Services:					
Food Service Operations	1,894,227	47,309	1,630,582	0	(216,336)
Community Services	137,958	0	109,773	0	(28,185)
Extracurricular Activities	559,391	319,572	22,885	0	(216,934)
Debt Service:					
Interest and Fiscal Charges	349,689	0	0	0	(349,689)
Total	$ 26,929,453	$ 2,553,183	$ 7,876,958	$ 5,550	(16,493,762)

General Revenues	
Property Taxes Levied for:	
General Purposes	7,282,105
Debt Service	750,088
Capital Outlay	398,846
Grants and Entitlements Not Restricted to Specific Programs	24,279,436
Investment Earnings	56,953
Miscellaneous	197,811
Total General Revenues	32,965,239
Change in Net Position	16,471,477
Net Position Beginning of Year (Restated - See Note 2)	(16,152,939)
Net Position End of Year	$ 318,538

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	$ 8,900,562	$ 4,494,281	$ 13,394,843
Investments Held with Trustee	1,244,524	0	1,244,524
Receivables:			
Accounts	77,403	18,396	95,799
Interfund	219,034	0	219,034
Intergovernmental	35,808	879,764	915,572
Property Taxes	8,760,423	1,395,392	10,155,815
Total Assets	$ 19,237,754	$ 6,787,833	$ 26,025,587
Liabilities			
Accounts Payable	$ 127,506	$ 22,297	$ 149,803
Accrued Wages and Benefits	3,440,686	634,270	4,074,956
Contracts Payable	0	51,235	51,235
Intergovernmental Payable	690,902	105,576	796,478
Matured Compensated Absences Payable	39,585	0	39,585
Interfund Payable	0	219,034	219,034
Total Liabilities	4,298,679	1,032,412	5,331,091
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	6,730,312	1,047,726	7,778,038
Unavailable Revenue	1,713,338	753,625	2,466,963
Total Deferred Inflows of Resources	8,443,650	1,801,351	10,245,001
Fund Balances			
Nonspendable	2,551	0	2,551
Restricted	1,244,524	4,295,525	5,540,049
Committed	299,752	0	299,752
Assigned	3,067,445	0	3,067,445
Unassigned	1,881,153	(341,455)	1,539,698
Total Fund Balances	6,495,425	3,954,070	10,449,495
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 19,237,754	$ 6,787,833	$ 26,025,587

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$ 10,449,495
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		38,972,795
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	$ 462,125	
Interest Subsidy	12,309	
Delinquent Property Taxes	1,992,529	2,466,963
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(20,703)
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds.		
Deferred Outflows - Pension	13,143,079	
Deferred Outflows - OPEB	552,316	
Net Pension Liability	(41,370,811)	
Net OPEB Liability	(9,272,433)	
Deferred Inflows - Pension	(2,085,552)	
Deferred Inflows - OPEB	(1,043,352)	(40,076,753)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
General Obligation Bonds	(5,959,000)	
Capital Appreciation Bonds	(84,050)	
Accretion of Interest - Capital Appreciation Bonds	(679,190)	
Bond Premium	(169,390)	
Capital Lease Obligation	(866,666)	
Vacations Payable	(81,450)	
Compensated Absences	(3,633,513)	(11,473,259)
Net Position of Governmental Activities		$ 318,538

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	$ 7,197,747	$ 1,136,888	$ 8,334,635
Intergovernmental	27,158,545	4,765,173	31,923,718
Investment Income	56,954	26,244	83,198
Tuition and Fees	1,722,021	427,042	2,149,063
Extracurricular Activities	34,948	296,421	331,369
Charges for Services	37,238	63,570	100,808
Contributions and Donations	30,470	107,554	138,024
Miscellaneous	144,743	53,068	197,811
Total Revenues	36,382,666	6,875,960	43,258,626
Expenditures			
Current:			
Instruction:			
Regular	15,818,041	541,771	16,359,812
Special	4,961,450	1,411,177	6,372,627
Vocational	1,401,800	87,386	1,489,186
Adult Education	248,221	252,941	501,162
Student Intervention Services	326,483	0	326,483
Other	129,354	17,236	146,590
Support Services:			
Pupils	2,141,454	130,941	2,272,395
Instructional Staff	1,062,992	619,701	1,682,693
Board of Education	55,896	0	55,896
Administration	2,676,263	313,876	2,990,139
Fiscal	650,158	72,009	722,167
Business	504,370	0	504,370
Operation and Maintenance of Plant	3,479,875	611,288	4,091,163
Pupil Transportation	1,578,281	0	1,578,281
Central	300,326	118,995	419,321
Extracurricular Activities	586,977	334,761	921,738
Operation of Non-Instructional Services:			
Food Service Operations	1,599	1,935,103	1,936,702
Community Services	3,223	132,557	135,780
Capital Outlay	31,900	51,235	83,135
Debt Service:			
Principal Retirement	81,667	114,930	196,597
Interest and Fiscal Charges	131,304	786,070	917,374
Total Expenditures	36,171,634	7,531,977	43,703,611
Excess of Revenues Over (Under) Expenditures	211,032	(656,017)	(444,985)
Net Change in Fund Balance	211,032	(656,017)	(444,985)
Fund Balances Beginning of Year	6,284,393	4,610,087	10,894,480
Fund Balances End of Year	$ 6,495,425	$ 3,954,070	$ 10,449,495

See accompanying notes to the basic financial statements.

Alliance City School District
Stark 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		$ (444,985)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	$ 1,260,047	
Current Year Depreciation	(1,842,460)	(582,413)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	96,405	
Interest Subsidy	(235)	
Intergovernmental	46,134	142,304
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	30,000	
Capital Leases	66,667	
Capital Appreciation Bond	99,930	
Accreted Interest on CAB	710,070	906,667
In the statement of activities, interest is accrued on outstanding bonds; and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	443	
Amortization of Premium on Bonds	35,925	36,368
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	2,964,240	
OPEB	104,093	3,068,333
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension expense in the statement of activities.		
Pension	12,973,167	
OPEB	1,394,253	14,367,420
Some expenses reported in the statement of activities do not require the use of the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(846,852)	
Vacations Payable	3,388	(843,464)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		(178,753)
Change in Net Position of Governmental Activities		$ 16,471,477

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Taxes	$ 7,960,195	$ 7,960,195	$ 7,299,051	$ (661,144)
All Other Sources	26,309,729	26,309,729	28,885,578	2,575,849
Total Revenues and Other Financing Sources	$ 34,269,924	$ 34,269,924	$ 36,184,629	$ 1,914,705
Expenditures and Other Financing Uses	36,464,008	36,714,008	36,039,653	674,355
Net Change in Fund Balance	(2,194,084)	(2,444,084)	144,976	2,589,060
Fund Balance Beginning of Year	8,363,640	8,363,640	8,363,640	0
Prior Year Encumbrances Appropriated	237,036	237,036	237,036	0
Fund Balance End of Year	$ 6,406,592	$ 6,156,592	$ 8,745,652	$ 2,589,060

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	$ 105,019	$ 131,271
Accounts Receivable	0	3,970
Total Assets	105,019	$ 135,241
Liabilities		
Accounts Payable	0	$ 259
Due to Students	0	134,982
Total Liabilities	0	$ 135,241
Net Position		
Held in Trust for Scholarships	$ 105,019	

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions	
Gifts and Contributions	$ 10,000
Investment Earnings	1,360
Total Additions	11,360
Deductions	
Payments in Accordance with Trust Agreements	7,300
Change in Net Position	4,060
Net Position Beginning of Year	100,959
Net Position End of Year	$ 105,019

See accompanying notes to the basic financial statements.

NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Alliance City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Alliance City School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

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

> **Non-public Schools** – Regina Coeli is operated through the Youngstown Catholic Diocese. Current state legislation provides funding for this parochial school. These monies are received and disbursed by the School District on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial schools. The activity of these state monies by the School District is reflected as a governmental activity of the School District.

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

The School District participates in a jointly governed organization and two public entity risk pools. These organizations are the Stark/Portage Area Computer Consortium (SPARCC), the Stark County Schools Council of Governments Health Benefit Plan and the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan. They are presented in Notes 16 and 17.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

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

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

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

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

C. Measurement Focus

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

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

The private purpose trust fund is reported using the economic resources measurement focus and is excluded from the governmental activities. Agency funds do not report a measurement focus as they do not report operations.

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. The fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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, grants, investment earnings, tuition and student fees.

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the operating statement as an expenditure/expense with a like amount reported as intergovernmental revenue.

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 set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control is the fund level.

The Certificate of Estimated Resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original 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 amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. 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 mutual funds, certificates of deposit and STAR Ohio.

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

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $56,954, which includes $14,661 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as “equity in pooled cash and investments.” Investments with an original maturity of more than three months are reported as “investments.”

G. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the consumption method, which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale. Inventory is recorded at entitlement value for commodities.

H. Capital Assets

The School District’s only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

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

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

Description	Estimated Lives
Buildings and Improvements	5-50 Years
Furniture and Equipment	5-15 Years
Vehicles	5-10 Years

I. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

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

J. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB 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.

K. Accrued Liabilities and Long-Term Obligations

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

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2018, none of the School District's net positions were restricted by enabling legislation. Net position restricted for other purposes include instructional activities and grants.

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

M. Fund Balance

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

N. Interfund Activity

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

O. 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. Neither type of transaction occurred during fiscal year 2018.

P. Estimates

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

Q. Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended June 30, 2018, the School District has implemented Governmental Accounting Standards Board (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 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

Net Position, June 30, 2017	$ (4,891,124)
Adjustments:	
Net OPEB Liability	(11,339,075)
Deferred Outflow-Payments Subsequent to Measurement Date	77,260
Restated Net Position, July 1, 2017	$ (16,152,939)

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

NOTE 3 – DEFICIT FUND BALANCES

Deficit fund balances at June 30, 2018 include the following individual fund deficits:

Non-Major Funds	
Public Preschool	$ 69,777
Title VI-B	70,895
Carl Perkins Grant	23,172
Title VI-B Preschool	4,223
Title I	139,900
Title II-A	33,488

The deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

3) Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).

4) Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

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

Net Change in Fund Balance		
GAAP Basis	$	211,032
Net Adjustment for Revenue Accruals		234,988
Net Adjustment for Expenditure Accruals		(13,375)
Funds Budgeted Elsewhere**		(3,219)
Adjustment for Encumbrances		(284,450)
Budget Basis	$	144,976

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

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current two-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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

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

1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;

4) Bonds and any other obligations of the State of Ohio;

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

6) The State Treasurer’s Investment Pool (STAR Ohio);

7) Certain bankers’ acceptance and commercial paper notes for a period not to exceed 180 days from the purchase date in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and

8) Under limited circumstances, corporate note interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments

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

			Investment Maturities			
S&P Rating	Investment Type	Measurement Amount	12 Months or Less	13-36 Months	Over 36 Months	Percent of Total
	Net Asset Value (NAV):					
N/A	AIM Government & Agency Mutual Funds	$ 1,640	$ 1,640	$ 0	$ 0	0.01%
AAAm	STAR Ohio	8,000,391	8,000,391	0	0	63.47%
	Fair Value:					
N/A	Certificates of Deposit	4,603,203	1,247,595	1,855,956	1,499,652	36.52%
		$ 12,605,234	$ 9,249,626	$1,855,956	$ 1,499,652	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of December 31, 2018. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (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 School District's investment policy limits investment portfolio maturities to five years or less for investments with a fixed interest rate and two years or less for investments with a variable interest rate.

Credit Risk The AIM Government & Agency mutual funds are unrated. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2018, is 49 days.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Stark, Columbiana, and Mahoning Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations.

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

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

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

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$ 217,428,470	92%	$ 220,229,820	90%
Public Utility Personal Property	19,475,680	8%	25,568,050	10%
Total Assessed Value	$ 236,904,150	100%	$ 245,797,870	100%
Tax rate per $1,000 of Assessed Value	$ 61.20		$ 61.10	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, accounts (tuition and fees), interfund and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

NOTE 8 – INTERFUND BALANCES

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

	Interfund Receivable	Interfund Payable
General Fund	$ 219,034	$ 0
Other Governmental Funds:		
Carl Perkins Grant	0	40,165
Miscellaneous State Grants	0	2,506
Public Preschools	0	56,366
Preschool Grant	0	921
Title I	0	72,309
Title VI-B	0	38,062
Title II-A	0	8,705
Total	$ 219,034	$ 219,034

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

NOTE 9 – CAPITAL ASSETS

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

	Balance 06/30/2017	Additions	Reductions	Balance 06/30/2018
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	$ 2,322,643	$ 0	$ 0	$ 2,322,643
Construction in Progress	32,300	152,111	(133,176)	51,235
Total Nondepreciable Capital Assets	2,354,943	152,111	(133,176)	2,373,878
Depreciable Capital Assets:				
Buildings and Improvements	58,500,741	420,932	0	58,921,673
Furniture and Equipment	3,974,613	440,597	(114,946)	4,300,264
Vehicles	1,557,357	379,583	(115,637)	1,821,303
Textbooks and Library Books	1,651,978	0	(1,651,978)	0
Total Capital Assets, Being Depreciated	65,684,689	1,241,112	(1,882,561)	65,043,240
Less Accumulated Depreciation:				
Buildings and Improvements	(22,925,117)	(1,471,242)	0	(24,396,359)
Furniture and Equipment	(2,877,246)	(237,505)	114,946	(2,999,805)
Vehicles	(1,030,083)	(133,713)	115,637	(1,048,159)
Textbooks and Library Books	(1,651,978)	0	1,651,978	0
Total Accumulated Depreciation	(28,484,424)	(1,842,460) *	1,882,561	(28,444,323)
Total Capital Assets Being Depreciated, Net	37,200,265	(601,348)	0	36,598,917
Governmental Activities Capital Assets, Net	$ 39,555,208	$ (449,237)	$ (133,176)	$ 38,972,795

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	$ 1,443,836
Vocational	35,444
Adult	11,039
Support Services:	
Pupils	799
Instructional Staff	14,249
Administration	6,465
Business	850
Operation and Maintenance of Plant	162,581
Pupil Transportation	128,163
Central	18,667
Operation of Non-Instructional Services:	
Food Service Operations	15,973
Community Services	2,178
Extracurricular Activities	2,216
Total Depreciation Expense	$ 1,842,460

NOTE 10 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assts; errors and omissions; injuries to employees; and natural disasters. The School District has contracted with The Liberty Mutual Insurance Company for property, general liability, fleet, equipment, boilers, umbrella, and inland marine insurance. The School District carries a $148,807,572 blanket policy with a $5,000 deductible on the buildings and personal property. Vehicles have a $500 deductible for comprehensive and a $250 deductible for collision. Automobile liability has a $1,000,000 combined single limit of liability.

General liability has a $1,000,000 single occurrence limit and a $2,000,000 general aggregate limit with no deductible. School leaders errors and omissions liability has a $1,000,000 each wrongful act limit and $1,000,000 aggregate limit with a $2,500 deductible. The School District has an umbrella liability with a $5,000,000 each occurrence limit and a $5,000,000 aggregate limit.

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

B. Workers' Compensation

The School District participates in the Stark County Schools' Council of Government Workers' Compensation Group Rating Plan, an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. 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 GRP.

Each participant pays its worker's compensation premium to the State Bureau of Workers' Compensation based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. 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 GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 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.

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

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

The School District's contractually required contribution to SERS was $666,340 for fiscal year 2018. Of this amount, $70,173 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

The School District's contractually required contribution to STRS was $2,297,900 for fiscal year 2018. Of this amount, $405,247 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.14271930%	0.13825869%	
Prior Measurement Date	0.13761930%	0.13779957%	
Change in Proportionate Share	0.00510000%	0.00045912%	
Proportionate Share of the Net Pension Liability	$ 8,527,163	$ 32,843,648	$ 41,370,811
Pension Expense	$ (118,357)	$ (12,854,810)	$ (12,973,167)

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 366,980	$ 1,268,266	$ 1,635,246
Changes of Assumptions	440,946	7,183,266	7,624,212
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	363,510	555,871	919,381
School District Contributions Subsequent to the Measurement Date	666,340	2,297,900	2,964,240
Total Deferred Outflows of Resources	$ 1,837,776	$ 11,305,303	$ 13,143,079
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 264,707	$ 264,707
Net Difference between Projected and Actual Earnings on Pension Plan Investments	40,476	1,083,880	1,124,356
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	696,489	696,489
Total Deferred Inflows of Resources	$ 40,476	$ 2,045,076	$ 2,085,552

$2,964,240 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 530,031	$ 1,304,953	$ 1,834,984
2020	615,261	2,779,402	3,394,663
2021	184,453	2,273,343	2,457,796
2022	(198,785)	604,629	405,844
	$ 1,130,960	$ 6,962,327	$ 8,093,287

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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, 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 investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the most recent actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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

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

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of 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%)
School District's Proportionate Share of the Net Pension Liability	$ 11,833,486	$ 8,527,163	$ 5,757,443

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

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

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

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

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 %	

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

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. 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 payments to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	$ 47,080,252	$ 32,843,648	$ 20,851,443

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

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

NOTE 12 – DEFINED BENEFIT OPEB PLANS

A. Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $79,414.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $104,093 for fiscal year 2018. Of this amount $82,013 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.14450330%	0.13825869%	
Prior Measurement Date	0.13926326%	0.13779957%	
Change in Proportionate Share	0.00524004%	0.00045912%	
Proportionate Share of the Net OPEB Liability	$ 3,878,089	$ 5,394,344	$ 9,272,433
OPEB Expense	$ 248,301	$ (1,642,554)	$ (1,394,253)

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

	SERS		STRS		Total	
Deferred Outflows of Resources						
Differences between Expected and Actual Experience	$	0	$	311,395	$	311,395
Changes in Proportionate Share and Differences between School District Contributions and Proportionate Share of Contributions		115,782		21,046		136,828
School District Contributions Subsequent to the Measurement Date		104,093		0		104,093
Total Deferred Outflows of Resources	$	219,875	$	332,441	$	552,316
Deferred Inflows of Resources						
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$	10,241	$	230,567	$	240,808
Changes of Assumptions		368,011		434,533		802,544
Total Deferred Inflows of Resources	$	378,252	$	665,100	$	1,043,352

$104,093 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS		STRS		Total	
Fiscal Year Ending June 30:						
2019	$	(93,947)	$	(74,657)	$	(168,604)
2020		(93,947)		(74,657)		(168,604)
2021		(72,015)		(74,657)		(146,672)
2022		(2,561)		(74,656)		(77,217)
2023		0		(17,015)		(17,015)
Thereafter		0		(17,017)		(17,017)
	$	(262,470)	$	(332,659)	$	(595,129)

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

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016.

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

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	$ 4,683,286	$ 3,878,089	$ 3,240,167

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 3,146,779	$ 3,878,089	$ 4,845,991

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	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 percent to 11.00 percent, initial, 4.50 percent ultimate

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

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

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

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

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

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

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

*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	$ 7,241,820	$ 5,394,344	$ 3,934,234

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 3,747,759	$ 5,394,344	$ 7,561,442

NOTE 13 – OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Administrative and 260-day employees are entitled to vacation ranging from 5 to 25 days.

All non-seasonal and non-part time employees are entitled to a sick leave credit equal to 1¼ days for each month of service. The sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is based on a formula. The formula is 0.6 percent of final contract salary times 65 days times (Accumulated sick days (maximum 120) divided by 120).

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2018 were as follows:

	Outstanding 06/30/2017	Additions	Deductions	Outstanding 6/30/2018	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
Limited Tax Conservation Improvement Bonds					
Term Bonds	$ 2,259,000	$ 0	$ 0	$ 2,259,000	$ 0
Unamortized Premium	22,357	0	(3,156)	19,201	0
2016 Refunding Bonds					
Serial Bonds	3,580,000	0	(15,000)	3,565,000	15,000
Unamortized Premium	182,959	0	(32,770)	150,189	0
2007 Classroom Facilities and Site Acquisition Bonds					
Capital Appreciation Bonds	183,980	0	(99,930)	84,050	84,050
Accretion on Capital Appreciation Bonds	1,210,507	178,753	(710,070)	679,190	679,190
2009 Qualified School Construction Bonds	150,000	0	(15,000)	135,000	15,000
Total General Obligation Bonds	7,588,803	178,753	(875,926)	6,891,630	793,240
Net Pension Liability:					
Pension	56,198,132	0	(14,827,321)	41,370,811	0
OPEB	11,339,075	0	(2,066,642)	9,272,433	0
Total Net Pension Liability	67,537,207	0	(16,893,963)	50,643,244	0
Capital Leases	933,333	0	(66,667)	866,666	66,666
Compensated Absences	2,786,660	1,044,130	(197,277)	3,633,513	237,611
Total Governmental Activities Long-Term Liabilities	$ 78,846,003	$ 1,222,883	$ (18,033,833)	$ 62,035,053	$ 1,097,517

General obligation bonds will be paid from tax revenues in the general and debt service funds. Capital leases will be paid from the building fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

Conservation bonds will be paid from the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

Limited Tax General Obligation Energy Conservation Improvement Bonds

On August 3, 2010, the School District issued term bonds in the amount of $2,259,000 with an interest rate of 5.70 percent. The bonds were issued for the purpose of improvements to school buildings for energy conservation. The bonds were issued for a fourteen year period with a final maturity at December 1, 2024.

The bonds were issued with a premium of $44,186, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method.

These bonds mature on December 1, 2024. The School District is required to make annual interest and sinking fund payments over a fifteen year period to Huntington Bank, the Trustee, which will pay the annual interest. The sinking fund payments began in fiscal year 2011. They are accumulated in a trust account with Huntington Bank, and are reported as “Cash and Investments Held with Trustee” on the financial statements.

2016 Unlimited Tax General Obligation Classroom Facilities and Site Acquisition Refunding Bonds

On February 2, 2016, the School District issued $4,357,879 in voted general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of $3,580,000 and $777,879, respectively. The bonds advance refunded $4,385,000 of outstanding 2007 Classroom Facilities and Site Acquisition Refunding General Obligation Bonds. The bonds were issued for a seven year period with final maturity at December 31, 2022. At the date of refunding, $4,587,260 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. The refunded bonds were called on June 1, 2016.

These refunding bonds were issued with a premium of $229,381, which is reported as an increase to bonds payable. The amount is being amortized to interest expense over the life of the bonds using the straight-line method.

The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of $124,894. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of $420,970. The issuance resulted in an economic gain of $407,090.

The $4,357,879 bond issue consists of serial and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 1.00 - 2.50 percent.

2007 Classroom Facilities and Site Acquisition Refunding General Obligation Bonds

On August 17, 2006, the School District issued $7,653,980 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of $3,850,000, $3,620,000 and $183,980, respectively. The bonds advance refunded $6,865,000 of outstanding 2000 Classroom Facilities General Obligation Bonds and $820,000 of outstanding 2001 Site Acquisition General Obligation Bonds. The bonds were issued for a twenty-one year period and the 2000 bonds were issued for a twenty-two year period with final maturities at December 31, 2022.

On February 2, 2016 the School District refunded $765,000 and $3,620,000 of 2007 classroom facilities and site acquisition serial and term bonds, respectively. The 2007 classroom facilities and site acquisition bonds were refunded with 2016 unlimited tax general obligation classroom facilities and site acquisition refunding bonds.

The capital appreciation bonds will mature December 1, 2017 and 2018 with a compounded interest rate of 19.422 percent. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. As of June 30, 2018 the maturity amount of the bonds are $820,000.

2009 Qualified School Construction Bonds

On December 17, 2009, the School District issued $255,000 of general obligation bonds with an interest rate of 1.79 pecent. The bonds were issued for the purpose of various construction and renovations projects throughout the School District. The bonds were issued for a fifteen year period with a final maturity at September 15, 2024.

Principal and interest requirements to retire general obligation bonds and capital appreciation bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending	General Obligation Bonds		Capital Appreciation Bonds		Total	
June 30,	Principal	Interest	Principal	Accretion	Principal	Interest/Accretion
2019	$ 30,000	$ 206,820	$ 84,050	$ 735,950	$ 114,050	$ 942,770
2020	870,000	197,857	0	0	870,000	197,857
2021	895,000	180,249	0	0	895,000	180,249
2022	920,000	162,141	0	0	920,000	162,141
2023	945,000	141,220	0	0	945,000	141,220
2024-2025	2,299,000	193,861	0	0	2,299,000	193,861
Total	$ 5,959,000	$ 1,082,148	$ 84,050	$ 735,950	$ 6,043,050	$ 1,818,098

NOTE 15 - CAPITAL LEASES

In fiscal year 2017 the School District entered into a grounds lease with Consumers National Bank for the construction, equipping and improving of the project facilities. At the time the School District entered into the lease the construction had not been started. In fiscal year 2018 the District had spent $515,410 of the proceeds from the lease. $159,126 of the proceeds spent meets the threshold amount and was capitalized. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation was $8,524 as of June 30, 2018, leaving a current book value of $150,602. Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for the governmental funds. These expenditures are reflected as support service expenditures on the budgetary basis in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018.

	Amount
Fiscal Year Ending June 30, 2019	$ 101,916
2020	99,097
2021	96,277
2022	93,457
2023	90,637
2024-2028	410,884
2029-2031	212,688
	1,104,956
Less: amount representing interest	238,290
Present value of net minimum lease payments	$ 866,666

NOTE 16 – JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Stark, Portage and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being place on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC. SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Services Center serves as the fiscal agent of the consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the School District's continued participation and no equity interest exists. During the year ended June 30, 2018, the School District paid $209,581 to SPARCC.

NOTE 17 – PUBLIC ENTITY RISK POOLS

A. Risk Sharing Pool

The School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

B. Insurance Purchasing Pool

The Stark County Schools Council of Governments Workers' Compensation Group Rating Plan has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The group is comprised of the superintendents of the members who have been appointed by the respective governing body of each member.

NOTE 18 – CONTINGENCIES AND COMMITMENTS

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

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

C. School District Foundation

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

NOTE 19 – COMMITMENTS

A. Encumbrance Commitments

Outstanding encumbrances for governmental funds include $275,579 in the general fund and $157,624 in nonmajor governmental funds.

B. Contractual Commitments

At June 30, 2018, the School District had the following contractual commitments for:

	Amount of Contracts	Expenditures as of 6/30/18	Amount Remaining on Contracts
Score Boards	$ 51,235	0	$ 51,235

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

NOTE 20 – SET-ASIDES

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

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2017	$ 0
Current Year Set-Aside Requirement	501,394
Permanent Improvement Levy Offsets	(288,491)
Prior Year Offsets from Bond Proceeds	(212,903)
Totals	$ 0
Balance Carried Forward to Fiscal Year 2019	$ 0
Set-Aside Restricted Balance as of June 30, 2018	$ 0

The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to $0. The School District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was $6,327,907 at June 30, 2018.

NOTE 21 – FUND BALANCE

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

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

	General	Other Governmental Funds	Total
Nonspendable for:			
Unclaimed Monies	2,551	0	2,551
Restricted for:			
Sinking Fund	1,244,524	0	1,244,524
Debt Service	0	688,304	688,304
Capital Outlay	0	618,905	618,905
Student Activities	0	136,127	136,127
Facilities Maintenance	0	1,502,666	1,502,666
Food Service	0	1,181,729	1,181,729
Other Purposes	0	167,794	167,794
Total Restricted	1,244,524	4,295,525	5,540,049
Committed for:			
District Technology	46,663	0	46,663
Career Technology	47,659	0	47,659
Instructional Materials	205,430	0	205,430
Total Committed	299,752	0	299,752
Assigned for:			
Subsequent Year Appropriations	2,791,866	0	2,791,866
Encumbrances:			
Instruction	166,156	0	166,156
Support Services	109,200	0	109,200
Extracurricular Activities	223	0	223
Total Assigned	3,067,445	0	3,067,445
Unassigned	1,881,153	(341,455)	1,539,698
Total Fund Balance	$ 6,495,425	$ 3,954,070	$ 10,449,495

Alliance City School District
Stark County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)					
School District's Proportion of the Net Pension Liability	0.14271930%	0.13761930%	0.13716180%	0.13034300%	0.13034300%
School District's Proportionate Share of the Net Pension Liability	$ 8,527,163	$10,072,463	$ 7,826,585	$ 6,596,585	$ 7,751,080
School District's Covered Payroll	$ 4,526,893	$ 4,862,971	$ 4,965,865	$ 4,420,664	$ 4,386,655
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.37%	207.13%	157.61%	149.22%	176.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)					
School District's Proportion of the Net Pension Liability	0.13825869%	0.13779957%	0.13507878%	0.14116927%	0.14116927%
School District's Proportionate Share of the Net Pension Liability	$32,843,648	$46,125,669	$37,331,824	$34,337,252	$40,902,310
School District's Covered Payroll	$15,459,886	$14,134,171	$14,471,986	$14,788,400	$14,213,000
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	212.44%	326.34%	257.96%	232.19%	287.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Alliance City School District
Stark County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - Pension
Last Ten Fiscal Years

	2018	2017	2016	2015
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 666,340	$ 633,765	$ 680,816	$ 654,501
Contributions in Relation to the Contractually Required Contribution	(666,340)	(633,765)	(680,816)	(654,501)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 4,935,852	$ 4,526,893	$ 4,862,971	$ 4,965,865
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 2,297,900	$ 2,164,384	$ 1,978,784	$ 2,026,078
Contributions in Relation to the Contractually Required Contribution	(2,297,900)	(2,164,384)	(1,978,784)	(2,026,078)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 16,413,571	$ 15,459,886	$ 14,134,171	$ 14,471,986
Pension 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
$ 612,704	$ 607,113	$ 578,493	$ 501,113	$ 587,605	$ 369,851
(612,704)	(607,113)	(578,493)	(501,113)	(587,605)	(369,851)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 4,420,664	$ 4,386,655	$ 4,301,063	$ 3,986,579	$ 4,339,771	$ 3,758,648
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
$ 1,922,492	$ 1,847,690	$ 1,872,099	$ 2,087,356	$ 2,028,150	$ 2,016,443
(1,922,492)	(1,847,690)	(1,872,099)	(2,087,356)	(2,028,150)	(2,016,443)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 14,788,400	$ 14,213,000	$ 14,400,762	$ 16,056,585	$ 15,601,154	$ 15,511,100
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

This page intentionally left blank.

Alliance City School District
Stark County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years (1)

	2018	2017
School Employees Retirement System (SERS)		
School District's Proportion of the Net OPEB Liability	0.14450330%	0.13926326%
School District's Proportionate Share of the Net OPEB Liability	$ 3,878,089	$ 3,969,518
School District's Covered Payroll	$ 4,526,893	$ 4,862,971
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	85.67%	81.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System (STRS)		
School District's Proportion of the Net OPEB Liability	0.13825869%	0.13779957%
School District's Proportionate Share of the Net OPEB Liability	$ 5,394,344	$ 7,369,557
School District's Covered Payroll	$ 15,459,886	$ 14,134,171
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	34.89%	52.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Alliance City School District
Stark County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - OPEB
Last Ten Fiscal Years

	2018	2017	2016	2015
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 104,093	$ 77,260	$ 69,615	$ 106,983
Contributions in Relation to the Contractually Required Contribution	(104,093)	(77,260)	(69,615)	(106,983)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 4,935,852	$ 4,526,893	$ 4,862,971	$ 4,965,865
OPEB Contributions as a Percentage of Covered Payroll (1)	2.11%	1.71%	1.43%	2.15%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 16,413,571	$ 15,459,886	$ 14,134,171	$ 14,471,986
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

2014		2013		2012		2011		2010		2009	
$	68,602	$	66,460	$	23,656	$	57,008	$	19,963	$	156,360
	(68,602)		(66,460)		(23,656)		(57,008)		(19,963)		(156,360)
$	0	$	0	$	0	$	0	$	0	$	0
$	4,420,664	$	4,386,655	$	4,301,063	$	3,986,579	$	4,339,771	$	3,758,648
	1.55%		1.52%		0.55%		1.43%		0.46%		4.16%
$	147,884	$	142,130	$	144,008	$	160,566	$	156,012	$	155,111
	(147,884)		(142,130)		(144,008)		(160,566)		(156,012)		(155,111)
$	0	$	0	$	0	$	0	$	0	$	0
$	14,788,400	$	14,213,000	$	14,400,762	$	16,056,585	$	15,601,154	$	15,511,100
	1.00%		1.00%		1.00%		1.00%		1.00%		1.00%

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- 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.
- 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 percent of male rates, and 110 percent of female rates.
- Mortality among disable member was updated to the following:
    - 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.

Changes in Benefit Terms - SERS

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - STRS

Effective for fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

Note 2 - Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY

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

FEDERAL GRANTOR / ***Pass Through Grantor*** / **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**	**Total Federal Non-Cash Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Child Nutrition Cluster:				
School Breakfast Program	10.553	043497-3L70-2018	339,371	
National School Lunch Program	10.555	043497-3L60-2018	1,068,652	124,883
Summer Food Service Program for Children	10.559	043497-3GE0-2018	87,172	
Total Child Nutrition Cluster			1,495,195	124,883
Total U.S. Department of Agriculture			**1,495,195**	**124,883**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Deparment of Education				
Title I Grants to Local Educational Agencies	84.010	043497-3M00-2017	267,557	
Title I Grants to Local Educational Agencies	84.010	043497-3M00-2018	971,089	
Total Title I Grants to Local Educational Agencies			1,238,646	
Special Education Cluster:				
Special Education Grants to States	84.027	043497-3M20-2017	126,573	
Special Education Grants to States	84.027	043497-3M20-2018	576,279	
Special Education Preschool Grants	84.173	043497-3C50-2017	3,346	
Special Education Preschool Grants	84.173	043497-3C50-2018	16,352	
Total Special Education Cluster			722,550	
Supporting Effective Instruction State Grants	84.367	043497-3Y60-2017	34,304	
Supporting Effective Instruction State Grants	84.367	043497-3Y60-2018	118,710	
Total Supporting Effective Instruction State Grants			153,014	
Career and Technical Education - Basic Grants to States	84.048	043497-3L90-2017	30,799	
Career and Technical Education - Basic Grants to States	84.048	043497-3L90-2018	122,206	
Total Career and Technical Education - Basic Grants to States			153,005	
Student Support and Academic Enrichment Program	84.424	043497-3HI0-2018	17,236	
Total Student Support and Academic Enrichment Program				
Direct				
Student Financial Aid Cluster				
Federal Pell Grant Program	84.063	N/A	314,644	
Federal Direct Student Loans	84.268	N/A	492,846	
Total Student Financial Aid Cluster			807,490	
Total U.S. Department of Education			**3,091,941**	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through The City of Alliance				
Community Development Block Grant	14.218	N/A	14,556	
Total U.S. Department of Housing and Urban Development			**14,556**	
Total Expenditures of Federal Awards			**$4,601,692**	**$124,883**

The accompanying notes are an integral part of this schedule.

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Alliance City School District (the District's) 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 or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

Alliance City School District
Stark County
200 Glamorgan St.
Alliance, Ohio 44601

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Alliance City School District, Stark 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 January 10, 2019 wherein, we noted the District adopted Government Accounting Standards Board Statement 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 10, 2019

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

Alliance City School District
Stark County
200 Glamorgan St.
Alliance, Ohio 44601

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited the Alliance 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 each of the Alliance City School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

Opinion on each Major Federal Program

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

Report on Internal Control Over Compliance

The 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 10, 2019

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR §200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster (CFDA 10.553; 10.555 and 10.559) Special Education cluster (CFDA 84.027 and 84.173) Student Financial Aid Cluster (CFDA 84.063 and 84.268)
(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?**	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.

ADMINISTRATION BUILDING
200 GLAMORGAN STREET • ALLIANCE, OHIO 44601
330-821-2100 • FAX: 330-821-0202
www.alliancecityschools.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	The District did not use $319 program funds from the Special Education Grants to States Grant for allowable costs.	Corrected	None

Jeffery S. Talbert, Superintendent of Schools
Jason Dixon, Assistant Superintendent of Schools
Kirk Heath, Treasurer
Nick Cowles, Director of Operations
Christine Gibowicz, Director of Curriculum and Instruction

OHIO AUDITOR OF STATE
KEITH FABER

ALLIANCE CITY SCHOOL DISTRICT

STARK 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
FEBRUARY 5, 2019

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov