BROOKLYN CITY SCHOOL DISTRICT

CUYAHOGA COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2018

Charles E. Harris & Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

Board of Education
Brooklyn City School District
9200 Biddulph Road
Brooklyn, Ohio 44144

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

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

Keith Faber
Auditor of State
Columbus, Ohio

February 5, 2019

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INDEPENDENT AUDITOR'S REPORT

Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as our evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted new guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of net pension liabilities, net postemployment liabilities, pension contributions and other postemployment contributions, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards (the Schedule) is presented for purposes of 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 the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

Charles E. Harris & Associates, Inc.
December 19, 2018

The discussion and analysis of the Brooklyn 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 financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- During fiscal year 2018, the School District completed an HB 264 Energy Conservation Project that included new lights, system controls, and fixtures. The first payment of principal and interest was made on June 1, 2018. The School District issued bonds in the amount of $600,000 to finance the project. The annual savings in energy consumption is estimated to be approximately $75,000.

- On August 16, 2017, the School District issued refunding school improvement bonds of $25,794,967, with a premium of $3,739,146 and a discount of $170,872, for the purpose of refunding the 2014 school improvement bonds. The bonds consist of serial, term and capital appreciation bonds and have an interest rate ranging from two to five percent. The refunding bonds mature on December 1, 2049.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform 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. Accrual accounting takes into account all of the current year's revenue 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 financial or non-financial factors. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, all of the School District's activities are classified as governmental. The School District's programs and services reported here include instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how cash flows into and out of those funds and the balances remaining at fiscal 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Fund The School District has only one type of fiduciary fund, an agency fund. The agency fund is used to account for resources held for the benefit of parties outside the School District. The agency fund is not reflected on the government-wide statements because the resources from that fund are not available to support the School District's programs.

The School District as a Whole

You may 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 fiscal year 2018 compared to the prior fiscal year.

Table 1
Net Position
Governmental Activities

	2018	Restated 2017	Change
Assets			
Current and Other Assets	$20,626,095	$20,637,190	($11,095)
Capital Assets, Net	31,343,506	31,646,321	(302,815)
Total Assets	51,969,601	52,283,511	(313,910)
Deferred Outflows of Resources			
Deferred Charges on Refunding	2,253,978	0	2,253,978
Pension	6,069,787	4,925,173	1,144,614
OPEB	233,866	31,977	201,889
Total Deferred Outflows of Resources	8,557,631	4,957,150	3,600,481
Liabilities			
Current Liabilities	1,792,258	1,951,118	158,860
Long-Term Liabilities:			
Due Within One Year	701,460	38,968	(662,492)
Due in More than One Year:			
Net Pension Liability	19,950,216	27,484,374	7,534,158
Net OPEB Liability	4,329,320	5,507,590	1,178,270
Other Amounts	31,949,661	29,320,492	(2,629,169)
Total Liabilities	58,722,915	64,302,542	5,579,627
Deferred Inflows of Resources			
Property Taxes	11,136,060	11,549,873	413,813
Pension	2,003,413	11,549,873	9,546,460
OPEB	591,912	0	(591,912)
Total Deferred Inflows of Resources	13,731,385	23,099,746	9,368,361
Net Position			
Net Investment in Capital Assets	4,470,865	6,219,135	(1,748,270)
Restricted For:			
Capital Projects	380,794	181,982	198,812
Debt Service	1,152,001	16,075	1,135,926
Unclaimed Monies	15,356	15,356	0
Other Purposes	302,100	228,073	74,027
Unrestricted (Deficit)	(18,248,184)	(26,808,730)	8,560,546
Total Net Position	($11,927,068)	($20,148,109)	$8,221,041

The net pension liability is one of the largest liabilities 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 that follow, 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 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 takes 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 pension 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 health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide 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 plans *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 previously, changes in pension 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 pension 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 ($14,672,496) to ($20,148,109).

Total net position increased compared to the prior fiscal year. Deferred outflows increased and liabilities decreased. Deferred outflows increased due to the refunding of 2014 school improvement bonds. The net pension liability decreased during the fiscal year as a result of changes in assumptions and benefit terms. Management continues to diligently plan expenses, staying carefully within the School District's revenues in an effort to maintain the durations between its levy requests.

Table 2 shows the change in net position for fiscal year 2018 for governmental activities compared to the prior fiscal year.

Table 2
Changes in Net Position
Governmental Activities

	2018	2017	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	$333,036	$334,852	($1,816)
Operating Grants and Contributions	1,817,442	1,951,844	(134,402)
Capital Grants and Contributions	232,768	906,513	(673,745)
Total Program Revenues	2,383,246	3,193,209	(809,963)
General Revenues:			
Property Taxes	13,815,605	12,278,423	1,537,182
Grants and Entitlements	3,161,684	3,202,177	(40,493)
Unrestricted Contributions and Donations	293	878	(585)
Investment Earnings	8,834	6,036	2,798
Miscellaneous	655,691	695,380	(39,689)
Total General Revenues	17,642,107	16,182,894	1,459,213
Total Revenues	$20,025,353	$19,376,103	$649,250

(continued)

Table 2
Changes in Net Position (continued)
Governmental Activities

	2018	2017	Change
Program Expenses			
Instruction	$5,782,039	$12,133,506	$6,351,467
Support Services:			
Pupil	1,366,469	1,994,235	627,766
Instructional Staff	103,845	275,985	172,140
Board of Education	36,386	39,903	3,517
Administration	248,242	1,799,742	1,551,500
Fiscal	383,934	508,626	124,692
Business	108,451	135,137	26,686
Operation and Maintenance of Plant	1,115,013	1,143,387	28,374
Pupil Transportation	360,355	389,010	28,655
Central	318,897	296,887	(22,010)
Food Service Operations	272,175	363,008	90,833
Other Non-Instructional Services	265,051	301,759	36,708
Extracurricular Activities	212,457	546,348	333,891
Interest and Fiscal Charges	1,230,998	1,486,254	255,256
Total Program Expenses	11,804,312	21,413,787	9,609,475
Change in Net Position	8,221,041	(2,037,684)	10,258,725
Net Position Beginning of Year	(20,148,109)	N/A	
Net Position End of Year	($11,927,068)	($20,148,109)	$8,221,041

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 $31,977 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 the OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $748,738. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$11,804,312
Negative OPEB expense under GASB 75	748,738
2018 contractually required contribution	39,509
Adjusted 2018 program expenses	12,592,559
Total 2017 program expenses under GASB 45	21,413,787
Decrease in program expenses not related to OPEB	($8,821,228)

Governmental Activities

The largest component of the decrease in program expenses results from changes in assumptions and benefits terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption (see Note 22). As a result of these changes, pension expense decreased from $1,768,762 in fiscal year 2017 to a negative pension expense of $6,882,415 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

	2018 Program Expenses Related to Negative Pension Expense
Instruction	($4,992,144)
Support Services:	
Pupil	(387,554)
Instructional Staff	(118,831)
Board of Education	(1,006)
Administration	(1,040,997)
Fiscal	(23,260)
Operation and Maintenance of Plant	(42,782)
Pupil Transportation	(23,356)
Central	(16,696)
Food Service Operations	(14,150)
Other Non-Instructional Services	(41,254)
Extracurricular Activities	(180,385)
Total Expenses	($6,882,415)

Several revenue sources primarily fund the School District's governmental activities. Property tax revenues brought the largest portion of general revenues. Grants and entitlements portion of the general revenues is the second largest source of revenues for the School District and includes monies received from the Ohio Department of Education, the State Foundation Program and property tax relief such as homestead exemptions and rollbacks provided by House Bill 920. The combination of taxes and intergovernmental funding along with substantial beginning net position have provided for coverage of all expenses in governmental activities in past years.

The increase in revenues was primarily due to the increase in property taxes, offset by capital grants and contributions. While the permanent improvement property tax levy was not renewed, the general fund and bond retirement levies saw slight increases during fiscal year 2018 due to increased assessed valuations. Capital grants and contributions decreased because the smaller, remaining amount of insurance recoveries was collected for the stadium fire that took place last fiscal year. Overall, expenses decreased over the prior fiscal year due to changes in assumptions and benefit terms related to pensions.

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 Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	$5,782,039	$12,133,506	($4,506,785)	($10,707,043)
Support Services:				
Pupil	1,366,469	1,994,235	(1,358,173)	(1,987,940)
Instructional Staff	103,845	275,985	(77,693)	(263,964)
Board of Education	36,386	39,903	(36,239)	(39,776)
Administration	248,242	1,799,742	(233,261)	(1,793,371)
Fiscal	383,934	508,626	(382,289)	(507,073)
Business	108,451	135,137	(108,208)	(134,827)
Operation and Maintenance of Plant	1,115,013	1,143,387	(879,612)	(248,200)
Pupil Transportation	360,355	389,010	(288,731)	(319,563)
Central	318,897	296,887	(312,731)	(290,752)
Food Service Operations	272,175	363,008	62,857	(24,824)
Other Non-Instructional Services	265,051	301,759	61,742	1,126
Extracurricular Activities	212,457	546,348	(130,945)	(418,117)
Interest and Fiscal Charges	1,230,998	1,486,254	(1,230,998)	(1,486,254)
Total Expenses	$11,804,312	$21,413,787	($9,421,066)	($18,220,578)

The School District's Funds

Information regarding the School District's major funds starts on page 16. All governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the general fund and the bond retirement fund. The fund balance in the general fund increased due to a decrease in intergovernmental payable, which is attributable to a decrease in STRS and SERS liabilities due to a slight decrease in the amount of total employees during fiscal year 2018. The increase in the bond retirement fund is due to an increase in property tax receivable. The property taxes receivable increased from the prior fiscal year due to an increase in assessed valuations.

General Fund Budgeting Highlights

Information about the School District's budget is prepared in accordance with 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 main operating fund of the School District, the general fund.

During the course of fiscal year 2018, the School District amended its general fund budget various times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. With regard to the general fund, the actual revenues were over final budgeted revenues. The difference between the original and final budgeted amounts is due to conservative original estimates. The School District monitors the budget on a monthly basis to keep it in line with current expenditures. The general fund balance decreased, which was attributable to increases in regular instruction, special instruction and administration expenditures and new debt service payment requirements.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land and construction in progress, are reported net of depreciation. The decrease in capital assets was due to annual depreciation outpacing current year additions. More detailed information is presented in Note 8 of the notes to the basic financial statements. For fiscal year 2018, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues only for the purpose of capital improvements. For fiscal year 2018, this amounted to $227,351. See Note 20 for additional set-aside information.

Debt

At June 30, 2018, the School District had $30,366,812 in bonds outstanding, with $605,000 due within one year. Table 5 summarizes the outstanding debt.

In fiscal year 2014, the School District issued $25,999,984 in general obligation bonds. The unrefunded bonds are for school improvements and will be paid off in fiscal year 2022.

In fiscal year 2018, the School District issued $29,363,241 in general obligation bonds. The purpose of the bonds are to refund the 2014 school improvement bonds and will be paid off in fiscal year 2050.

In fiscal year 2018, the School District issued $600,000 in energy conservation bonds. The bonds are for the energy conservation upgrade throughout the School District and will be paid off in fiscal year 2027.

At June 30, 2018, the School District's overall legal debt margin was $2,735,081 with an unvoted debt margin of $303,898. See Note 18 to the basic financial statements for additional information on debt.

Current Financial Related Activities

Ohio House Bill 920 effectively freezes tax revenue to a specific dollar amount at the time a levy is passed. This House Bill eliminates most growth from local tax revenue, therefore school districts dependent upon property taxes that are hampered by a lack of revenue growth and must regularly return to voters to maintain financial support of the School District.

The continuing phase out of the tangible personal property tax revenue replacement provided by the State will have a profound effect on the School District. The tangible tax had previously generated approximately $2.9 million per year for the School District. The current law continues the phase out of the tangible personal property tax loss reimbursement, and it establishes the end to the reimbursement by fiscal year 2022.

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 funds it receives. If you have any questions about this report or need additional financial information, please contact David Hoskin, Treasurer, at the Brooklyn City School District, 9200 Biddulph Road, Brooklyn, Ohio 44144, or david.hoskin@bcshurricanes.org.

Brooklyn City School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$6,505,237
Accounts Receivable	109,401
Intergovernmental Receivable	376,420
Prepaid Items	63,196
Materials and Supplies Inventory	14,183
Property Taxes Receivable	13,557,658
Non-depreciable Capital Assets	1,264,300
Depreciable Capital Assets, Net	30,079,206
Total Assets	51,969,601
Deferred Outflows of Resources	
Deferred Charges on Refunding	2,253,978
Pension	6,069,787
OPEB	233,866
Total Deferred Outflows of Resources	8,557,631
Liabilities	
Accounts Payable	78,349
Accrued Wages and Benefits	1,199,356
Intergovernmental Payable	341,445
Accrued Interest Payable	170,769
Matured Compensated Absences Payable	2,339
Long-Term Liabilities:	
Due Within One Year	701,460
Due In More Than One Year:	
Net Pension Liability (See Note 22)	19,950,216
Net OPEB Liability (See Note 23)	4,329,320
Other Amounts due in More Than One Year	31,949,661
Total Liabilities	58,722,915
Deferred Inflows of Resources	
Property Taxes	11,136,060
Pension	2,003,413
OPEB	591,912
Total Deferred Inflows of Resources	13,731,385
Net Position	
Net Investment in Capital Assets	4,470,865
Restricted for:	
Capital Projects	380,794
Debt Service	1,152,001
Unclaimed Monies	15,356
Other Purposes	302,100
Unrestricted (Deficit)	(18,248,184)
Total Net Position	($11,927,068)

See accompanying notes to the basic financial statements

Brooklyn City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	$3,960,606	$34,982	$85,672	$1,226	($3,838,726)
Special	1,796,769	10,223	1,133,522	0	(653,024)
Vocational	24,664	281	9,348	0	(15,035)
Support Services:					
Pupil	1,366,469	7,282	1,014	0	(1,358,173)
Instructional Staff	103,845	26,152	0	0	(77,693)
Board of Education	36,386	147	0	0	(36,239)
Administration	248,242	6,049	8,932	0	(233,261)
Fiscal	383,934	1,645	0	0	(382,289)
Business	108,451	243	0	0	(108,208)
Operation and Maintenance of Plant	1,115,013	4,398	54	230,949	(879,612)
Pupil Transportation	360,355	1,553	70,071	0	(288,731)
Central	318,897	766	5,400	0	(312,731)
Food Service Operations	272,175	79,165	255,867	0	62,857
Other Non-Instructional Services	265,051	90,560	236,233	0	61,742
Extracurricular Activities	212,457	69,590	11,329	593	(130,945)
Interest and Fiscal Charges	1,230,998	0	0	0	(1,230,998)
Totals	$11,804,312	$333,036	$1,817,442	$232,768	(9,421,066)

General Revenues	
Property Taxes Levied for:	
General Purposes	12,421,200
Debt Service	1,352,043
Capital Projects	42,362
Grants and Entitlements not Restricted to Specific Programs	3,161,684
Unrestricted Contributions and Donations	293
Investment Earnings	8,834
Miscellaneous	655,691
Total General Revenues	17,642,107
Change in Net Position	8,221,041
Net Position Beginning of Year - Restated (See Note 3)	(20,148,109)
Net Position End of Year	($11,927,068)

See accompanying notes to the basic financial statements

Brooklyn City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$3,982,265	$1,226,657	$1,280,959	$6,489,881
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	15,356	0	0	15,356
Accounts Receivable	109,067	0	334	109,401
Intergovernmental Receivable	35,644	0	340,776	376,420
Prepaid Items	63,196	0	0	63,196
Materials and Supplies Inventory	14,163	0	20	14,183
Interfund Receivable	270,602	0	0	270,602
Property Taxes Receivable	12,025,157	1,532,501	0	13,557,658
Total Assets	$16,515,450	$2,759,158	$1,622,089	$20,896,697
Liabilities				
Accounts Payable	$22,747	$0	$55,602	$78,349
Accrued Wages and Benefits	1,168,363	0	30,993	1,199,356
Intergovernmental Payable	325,394	0	16,051	341,445
Matured Compensated Absences Payable	2,339	0	0	2,339
Interfund Payable	0	0	270,602	270,602
Total Liabilities	1,518,843	0	373,248	1,892,091
Deferred Inflows of Resources				
Property Taxes	9,839,832	1,296,228	0	11,136,060
Unavailable Revenue	498,580	54,151	137,164	689,895
Total Deferred Inflows of Resources	10,338,412	1,350,379	137,164	11,825,955
Fund Balances				
Nonspendable	92,715	0	20	92,735
Restricted	0	1,408,779	1,136,082	2,544,861
Assigned	1,248,478	0	0	1,248,478
Unassigned (Deficit)	3,317,002	0	(24,425)	3,292,577
Total Fund Balances	4,658,195	1,408,779	1,111,677	7,178,651
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$16,515,450	$2,759,158	$1,622,089	$20,896,697

See accompanying notes to the basic financial statements

Brooklyn City School District

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

Total Governmental Fund Balances		$7,178,651
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.		31,343,506
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds:		
Delinquent Property Taxes	552,731	
Intergovernmental	137,164	
Total		689,895
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.		2,253,978
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due.		(170,769)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(30,366,812)	
Energy Conservation Loan	(542,811)	
Compensated Absences	(1,741,498)	
Total		(32,651,121)
The net pension and net OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	6,069,787	
Deferred Outflows - OPEB	233,866	
Net Pension Liability	(19,950,216)	
Net OPEB Liability	(4,329,320)	
Deferred Inflows - Pension	(2,003,413)	
Deferred Inflows - OPEB	(591,912)	
Total		(20,571,208)
Net Position of Governmental Activities		($11,927,068)

See accompanying notes to the basic financial statements

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$12,493,498	$1,359,904	$48,057	$13,901,459
Intergovernmental	3,626,939	117,300	1,223,362	4,967,601
Interest	6,164	0	2,670	8,834
Tuition and Fees	85,345	0	270	85,615
Extracurricular Activities	0	0	66,238	66,238
Contributions and Donations	293	0	6,546	6,839
Charges for Services	9,738	0	169,455	179,193
Rentals	1,990	0	0	1,990
Miscellaneous	628,260	0	27,431	655,691
Total Revenues	16,852,227	1,477,204	1,544,029	19,873,460
Expenditures				
Current:				
Instruction:				
Regular	7,512,397	0	88,971	7,601,368
Special	2,684,428	0	635,185	3,319,613
Vocational	73,790	0	0	73,790
Support Services:				
Pupil	1,913,264	0	1,283	1,914,547
Instructional Staff	251,878	0	5,525	257,403
Board of Education	38,466	0	0	38,466
Administration	1,591,220	0	25,010	1,616,230
Fiscal	427,233	0	0	427,233
Business	63,664	0	4,200	67,864
Operation and Maintenance of Plant	1,122,739	0	21,982	1,144,721
Pupil Transportation	412,771	0	0	412,771
Central	197,356	0	6,431	203,787
Food Service Operations	0	0	318,326	318,326
Other Non-Instructional Services	0	0	319,547	319,547
Extracurricular Activities	364,005	0	77,845	441,850
Capital Outlay	3,091	0	645,514	648,605
Debt Service:				
Principal Retirement	57,189	325,000	0	382,189
Interest and Fiscal Charges	7,299	808,161	0	815,460
Bond Issuance Costs	0	402,644	0	402,644
Total Expenditures	16,720,790	1,535,805	2,149,819	20,406,414
Excess of Revenues Over (Under) Expenditures	131,437	(58,601)	(605,790)	(532,954)
Other Financing Sources (Uses)				
Insurance Recoveries	0	0	229,420	229,420
Sale of Capital Assets	0	0	1,200	1,200
Energy Conservation Loan Issued	0	0	600,000	600,000
General Obligation Refunding Bonds Issued	0	25,794,967	0	25,794,967
Premium on Bonds	0	3,739,146	0	3,739,146
Discount on Bonds	0	(170,872)	0	(170,872)
Payment to Refunded Bond Escrow Agent	0	(28,960,597)	0	(28,960,597)
Transfers In	0	0	15,040	15,040
Transfers Out	(15,040)	0	0	(15,040)
Total Other Financing Sources (Uses)	(15,040)	402,644	845,660	1,233,264
Net Change in Fund Balances	116,397	344,043	239,870	700,310
Fund Balances Beginning of Year	4,541,798	1,064,736	871,807	6,478,341
Fund Balances End of Year	$4,658,195	$1,408,779	$1,111,677	$7,178,651

See accompanying notes to the basic financial statements

Brooklyn City School District

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

Net Change in Fund Balances - Total Governmental Funds		$700,310
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 are allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded captial outlay in the current period:		
Capital Asset Additions		
Capital Outlay	280,391	
Current Year Depreciation	(581,370)	
Total		(300,979)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(1,836)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(85,854)	
Intergovernmental	8,327	
Total		(77,527)
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		29,342,786
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(62,895)
In the statement of activities, interest accrued on outstanding bonds and bond discounts and premiums are amortized over the terms of the bonds, whereas in the governmental funds, the expenditures are reported when due:		
Accrued Interest on Bonds	(61,205)	
Amortization of Premium	136,098	
Amortization of Discount	(9,238)	
Amortization of Deferred Charges on Refunding	(62,610)	
Annual Accretion	(418,583)	
Total		(415,538)
Other financing sources and uses in the governmental funds increased long-term liabilities in the statement of net position:		
Bonds Issued	(25,794,967)	
Loan Issued	(600,000)	
Premium on Bonds	(3,739,146)	
Discount on Bonds	170,872	
Total		(29,963,241)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	1,329,299	
OPEB	39,509	
Total		1,368,808
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension/OPEB expense in the statement of activities:		
Pension	6,882,415	
OPEB	748,738	
Total		7,631,153
Change in Net Position of Governmental Activities		$8,221,041

See accompanying notes to the basic financial statements

Brooklyn City School District

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$12,736,438	$12,736,438	$12,736,438	$0
Intergovernmental	2,700,624	3,390,621	3,684,610	293,989
Interest	4,464	5,656	6,164	508
Tuition and Fees	51,311	65,016	70,856	5,840
Rentals	1,441	1,826	1,990	164
Miscellaneous	493,984	586,595	626,055	39,460
Total Revenues	15,988,262	16,786,152	17,126,113	339,961
Expenditures				
Current:				
Instruction:				
Regular	7,094,651	7,687,646	7,552,888	134,758
Special	2,534,710	2,791,400	2,742,440	48,960
Vocational	63,450	64,968	63,827	1,141
Support Services:				
Pupil	1,814,401	1,976,142	1,941,569	34,573
Instructional Staff	249,383	247,088	242,794	4,294
Board of Education	40,934	39,978	39,303	675
Administration	1,808,028	1,865,187	1,833,476	31,711
Fiscal	492,002	444,094	436,433	7,661
Business	60,207	67,369	66,231	1,138
Operation and Maintenance of Plant	1,174,252	1,187,809	1,167,367	20,442
Pupil Transportation	392,136	453,877	446,470	7,407
Central	190,065	200,423	196,992	3,431
Extracurricular Activities	352,628	371,049	364,534	6,515
Capital Outlay	2,911	4,692	4,637	55
Debt Service:				
Principal Retirement	57,189	57,189	57,189	0
Interest and Fiscal Charges	7,299	7,299	7,299	0
Total Expenditures	16,334,246	17,466,210	17,163,449	302,761
Excess of Revenues Under Expenditures	(345,984)	(680,058)	(37,336)	642,722
Other Financing Sources (Uses)				
Advances In	262,417	262,417	262,417	0
Advances Out	(270,602)	(270,602)	(270,602)	0
Transfers Out	(10,956)	(15,040)	(15,040)	0
Total Other Financing Sources (Uses)	(19,141)	(23,225)	(23,225)	0
Net Change in Fund Balance	(365,125)	(703,283)	(60,561)	642,722
Fund Balance Beginning of Year	3,813,010	3,813,010	3,813,010	0
Fund Balance End of Year	$3,447,885	$3,109,727	$3,752,449	$642,722

See accompanying notes to the basic financial statements

Brooklyn City School District

Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	$18,019
Liabilities	
Due to Students	$18,019

See accompanying notes to the basic financial statements

Note 1 – Description of the School District and Reporting Entity

The Brooklyn City School District (School District) was formed on March 18, 1911 under provisions of Section 3311.02 of the Ohio Revised Code.

The Brooklyn City School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by State and Federal agencies. The Board controls the School District's campus, which encompasses a pre-K through high school facility consisting of Brooklyn Elementary School, Brooklyn Intermediate School, and Brooklyn High School. This facility educates 1,330 students. The Board employs 67 classified and 103 certified employees.

Reporting Entity

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

> *Non-Public Schools* Within the School District boundaries, there are various non-public schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and 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 provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government. The School District has no component units.

The School District participates in one insurance purchasing pool, three jointly governed organizations and one public entity risk pool. These organizations are the Ohio School Boards Association Workers' Compensation Group Rating Program, Polaris Career Center, Ohio Schools' Council, Connect and the Suburban Health Consortium. These organizations are presented in Notes 15, 16, and 17 of the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

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. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, does not have business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are 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 limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal 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. The major funds are presented in separate columns. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two 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 are the School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account and report for all financial resources except those required to be accounted for and reported 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.

Bond Retirement Fund The bond retirement fund is used to account for and report the accumulation of property tax revenues restricted for the payment of general obligation bonds issued for the purpose of renovating, remodeling, rehabilitating, adding to, furnishing, equipping and otherwise improving school facilities, and acquiring, clearing and improving school facility sites.

The other governmental funds of the School District account for grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust 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 has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund which reports resources that belong to the student activities of the various schools.

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 decreases (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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. Fiduciary funds also use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows 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 fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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 deferred charges on refunding, pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Note 22 and 23.

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 plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 22 and 23).

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Data

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

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The School District had no investments during the fiscal year or at fiscal year-end.

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 $6,164, which includes $750 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 cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund include amounts for unclaimed monies.

Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

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

Capital Assets

All of the School District's capital assets are general capital assets. General capital assets are those assets related to activities reported in the governmental funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

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

Description	Estimated Life
Buildings and Improvements	25-80 years
Furniture and Equipment	5-20 years
Vehicles	5-10 years

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balances are eliminated in the governmental activities column of the statement of net position.

Bond Premiums and Discounts

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On the fund financial statements, bond discounts are expended in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund.

Deferred Charges on Refunding

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

Internal Activity

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

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

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

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employee will be paid.

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

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

Fund Balance

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

Nonspendable 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.

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 highest level 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 includes the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State statute. State Statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The Board assigned fund balance to cover a gap between fiscal year 2019's estimated revenue and appropriated budget in the general fund.

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.

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.

Estimates

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

Note 3 – Changes in Accounting Principles and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. 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 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). 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 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	($14,672,496)
Adjustments:	
Net OPEB Liability	(5,507,590)
Deferred Outflow - Payments Subsequent to Measurement Date	31,977
Restated Net Position June 30, 2017	($20,148,109)

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

Note 4 – Fund Deficits

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

	Amounts
Special Revenue Funds:	
Latchkey "KATS"	$2,514
Miscellaneous State Grants	4,224
Title VI-B	7,567
Title I	9,534
Classroom Size Reduction	586

The special revenue fund's deficit balances for latchkey "KATS" resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in a fund and provides transfers when cash is required, rather than when accruals occur.

The special revenue funds' deficit balances for miscellaneous state grants, title VI-B, title I and classroom size reduction resulted from an interfund payable in each of the funds. The general fund provides money to operate the program until grants and other monies are received and the advance can be repaid.

Note 5 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances – budget (non-GAAP basis) and actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

2. Unrecorded cash, which consists of unrecorded expenditures, is not reported by the School District on the budget basis operating statements, but is reported on the GAAP basis operating statements.

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

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

5. Budgetary revenues and expenditures of the uniform school supplies and public school support are reclassified to the general fund for GAAP Reporting.

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

Net Change in Fund Balance

GAAP Basis	$116,397
Net Adjustment for Revenue Accruals	239,064
Beginning Unrecorded Cash	(169)
Advances In	262,417
Net Adjustment for Expenditure Accruals	(256,079)
Advances Out	(270,602)
Perspective Differences:	
Uniform School Supplies	19,270
Public School Support	(4,163)
Encumbrances	(166,696)
Budget Basis	($60,561)

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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, and Government National Mortgage 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

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

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

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

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) 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, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 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 calendar year 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 Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2018, was $1,686,745 in the general fund and $182,122 in the debt service bond retirement fund. The amount available as an advance at June 30, 2017, was $1,929,685 in the general fund, $207,521 in the debt service bond retirement fund and $11,557 in the permanent improvement capital projects fund.

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

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

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residental and Other Real Estate	$266,659,460	89.69 %	$267,019,810	87.86 %
Public Utility Personal	30,663,240	10.31	36,878,080	12.14
Total	$297,322,700	100.00 %	$303,897,890	100.00 %
Tax rate per $1,000 of assessed valuation	$59.80		$58.60	

The tax rate decreased due to the end of the permanent improvement levy in collection year 2017 and due to an increase in property tax values in the School District during fiscal year 2018. The increase in property tax values caused the tax rate to decrease so that the emergency levies would meet their collection amounts.

Note 8 – Capital Assets

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$1,264,300	$0	$0	$1,264,300
Construction in Progress	5,640,507	176,884	(5,817,391)	0
Total Capital Assets not being Depreciated	6,904,807	176,884	(5,817,391)	1,264,300
Capital Assets being Depreciated:				
Buildings and Improvements	27,796,872	5,817,391	0	33,614,263
Furniture and Equipment	3,031,897	103,507	(13,093)	3,122,311
Vehicles	350,551	0	(55,891)	294,660
Total Capital Assets being Depreciated	31,179,320	5,920,898	(68,984)	37,031,234
Less: Accumulated Depreciation:				
Buildings and Improvements	(3,695,049)	(485,437)	0	(4,180,486)
Furniture and Equipment	(2,428,342)	(84,097)	12,319	(2,500,120)
Vehicles	(314,415)	(11,836)	54,829	(271,422)
Total Accumulated Depreciation	(6,437,806)	(581,370) *	67,148	(6,952,028)
Total Capital Assets being Depreciated, Net	24,741,514	5,339,528	(1,836)	30,079,206
Governmental Activities Capital Asset, Net	$31,646,321	$5,516,412	($5,819,227)	$31,343,506

* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	$506,402
Special	1,657
Support Services:	
Administration	2,329
Fiscal	303
Business	40,587
Operation and Maintenance of Plant	15,737
Pupil Transportation	1,259
Central	7,249
Food Service Operations	1,793
Other Non-Instructional Services	1,040
Extracurricular Activities	3,014
Total Depreciation Expense	$581,370

Note 9 – Receivables

Receivables at June 30, 2018, consisted of taxes, accounts (reduction of expenditure and extracurricular activities), 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, except delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Title I-A	$140,988
Title VI-B	109,425
Improving Teacher II-A	54,504
Foundations Settlement	25,512
Limited English Proficiency	18,626
Cuyahoga County Treasurer	10,132
Title IV-A	10,000
Early Childhood Special Education	6,507
Students with Disabilities Transition	726
Total Intergovernmental Receivables	$376,420

Note 10 – Fund Balances

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable:				
Unclaimed Monies	$15,356	$0	$0	$15,356
Prepaid Items	63,196	0	0	63,196
Materials and Supplies Inventory	14,163	0	20	14,183
Total Nonspendable	92,715	0	20	92,735
Restricted for:				
Capital Projects	0	0	910,291	910,291
Debt Service	0	1,408,779	0	1,408,779
Other Purposes	0	0	225,791	225,791
Total Restricted	0	1,408,779	1,136,082	2,544,861
Assigned to:				
Purchases on Order:				
Instruction	21,120	0	0	21,120
Support Services	128,575	0	0	128,575
Extracurricular Activities	17	0	0	17
Capital Outlay	1,546	0	0	1,546
Fiscal Year 2019 Appropriations	1,097,220	0	0	1,097,220
Total Assigned	1,248,478	0	0	1,248,478
Unassigned (Deficit)	3,317,002	0	(24,425)	3,292,577
Total Fund Balances	$4,658,195	$1,408,779	$1,111,677	$7,178,651

Note 11 – Interfund Transactions

Interfund Balances

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

Interfund Payable	Interfund Receivable General
Other Governmental Funds:	
Local Grants	$3,448
Miscellaneous State Grants	7,719
Title VI-B	109,425
Limited English Proficieny	18,626
Title I	64,568
Preschool	6,507
Teacher Improvements	50,309
Miscellaneous Federal Grants	10,000
Total	$270,602

The interfund payables are advances from the general fund to the special revenue funds to support the funds' programs. All are payable to the general fund and are expected to be repaid in fiscal year 2019.

Interfund Transfers

The general fund made a transfer in the amounts of $15,040 to the latchkey "KATS" special revenue fund to support programs.

Note 12 – Risk Management

Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracted with Huntington Insurance, Incorporated for comprehensive property, inland marine coverage, crime coverage, general liability and automobile liability. The School District contracted with Hylant Administrative Services, LLC (Ohio School Plan) for these services. The property insurance coverage was $57,080,822 with a $1,000 deductible for fiscal year 2018. Crime coverage was $100,000 with a $1,000 deductible for public employee dishonesty blanket bonds and forgery. General liability coverage was $6,000,000 aggregate with no deductible and included violent event response coverage. Automobile liability coverage had a $4,000,000 combined single limit of liability.

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

Bonding

The Treasurer is covered by Travelers Casualty in the amount of $50,000. Remaining employees who handle money are covered with a public employees' blanket bond in the amount of $100,000 with a $1,000 deductible. The District also carries $25,000, $1,000 deductible, counterfeit coverage, $25,000, $1,000 deductible, computer fraud coverage, and $25,000, $1,000 deductible, forgery and alterations coverage. These bonds are provided by the Ohio School Plan.

Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 15). 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 workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Incorporated provides administrative, cost control and actuarial services to the GRP.

Note 13 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Only administrative and school support personnel earn annual vacation leave which is paid upon separation with the School District. Noncertified employees can carry up to ten unused vacation leave days into the next fiscal year. The Superintendent and the Treasurer earn 25 and 20 vacation days leave per fiscal year, respectively. The Superintendent can carry over unused vacation days.

The two exempt employees earn three vacation weeks leave per fiscal year. School support personnel earn annual vacation leave as follows:

Completed Service	Vacation Leave
After one year	10 days
After eight years	15 days
After thirteen years	20 days
After twenty years	25 days
After Twenty five years	Same as after 20 years with addition of a floating holiday

Each staff member is entitled to fifteen days sick leave with pay each year. The sick leave accrues at the rate of one and one fourth days for each calendar month. Upon retirement, an employee is paid a severance benefit, calculated at current wage rates, for the value of thirty-two percent of their accumulative sick leave up to a maximum of 310 accumulated days for certified employees with the balance being forfeited and an unlimited number of accumulated days for classified employees. The severance benefit for classified employees who retire the first year they become eligible and who have at least five years of service with the School District may elect to receive a cash payment equal to fifty percent of their accumulated, accumulated but unused sick leave credit. The severance benefit for employees who retire after June 30th of the first year they become eligible and who have at least five years of service with the School District shall receive a cash payment equal to thirty-two percent of their accumulated, unused sick leave.

Life Insurance Benefits

Life insurance is offered to all full-time employees in the amount of $50,000 through American United Life and Grady Benefits with payment of $4.75 per month. The administration is covered for $100,000 with payments of $9.50 per month.

Health Insurance Benefits

The School District entered into a contract with the Suburban Health Consortium on April 1, 2017, a shared risk pool (Note 17) to provide group health, dental, vision, life and prescription insurance coverage. Rates are set or determined by the Board of Directors. The School District pays a monthly contribution which is placed in a reserve fund from which the claims payments are made for all participating districts.

Note 14 – Contingencies

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. This also encompasses the Auditor of State's ongoing review of student attendance data; however, in the opinion of management, 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.

School 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.

Litigation

The School District is not a party to any legal proceedings.

Note 15 – Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 16 – Jointly Governed Organizations

Polaris Career Center

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. Brooklyn City School District students may attend the vocational school. Each school district's control is limited to its representation on the board. The School District did not contribute to Polaris Career Center during fiscal year 2018. Financial information can be obtained by contacting the Treasurer at the Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130.

Ohio Schools' Council

The Ohio Schools' Council (Council) is a jointly governed organization among 241 members. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2018, the School District paid $428 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools' Council at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

The School District participates in the Council's natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy (formerly Compass Energy) has been selected as the supplier and program manager for the period from July 1, 2018 through June 30, 2019. There are currently 157 participants in the program, including the Brooklyn City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Connect

Connect is a jointly governed organization comprised of twenty-four member school districts, three educational service centers, and the Ohio Schools Council. This organization was formed for the purpose of providing support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. Connect is governed by a four member Board of Directors consisting of the Superintendent of the Educational Service of Northeast Ohio, the Superintendent of the Educational Service Center of Lorain County, the Superintendent of the Educational Service Center of Medina County, and the Executive Director of the Ohio Schools Council. Each participating entity's contribution to Connect is dependent upon student enrollment and/or software packages and services utilized. During fiscal year 2018, the School District contributed $43,208 to Connect. Financial information for Connect may be obtained by contacting the Treasurer at the Educational Service Center of Northeast Ohio, which serves as the fiscal agent.

Note 17 – Public Entity Risk Pool

The Suburban Health Consortium ("the Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental, and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors is the governing body of the Consortium. The Board of Education of each Consortium Member appoints its Superintendent or such Superintendent's designee to be its representative on the Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman and Recording Secretary, who are elected at the annual meeting of the Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the director of the Board of Directors. The Board of Directors also sets all premiums and other amounts to be paid by the Consortium members, and the Board of Directors have the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Director and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement.

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred and eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) at 32000 Chagrin Boulevard, Pepper Pike, Ohio 44124.

Note 18 – Long-Term Obligations

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

	Restated Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018	Due In One Year
Governmental Activities:					
General Obligation Bonds:					
2014 School Improvement Bonds:					
Serial Bonds	$7,840,000	$0	($7,840,000)	$0	$0
Terms Bonds	17,960,000	0	(17,960,000)	0	0
Capital Appreciation Bonds	184,984	0	0	184,984	69,818
Accretion	694,764	287,304	0	982,068	365,182
Unamortized Discount	(152,120)	0	133,640	(18,480)	0
Unamortized Premium	1,153,229	0	(1,013,069)	140,160	0
Total 2014 School Improvement Bonds	27,680,857	287,304	(26,679,429)	1,288,732	435,000
2018 Refunding Bonds:					
Serial Bonds	0	4,430,000	(320,000)	4,110,000	170,000
Terms Bonds	0	20,690,000	0	20,690,000	0
Capital Appreciation Bonds	0	674,967	0	674,967	0
Accretion	0	131,279	0	131,279	0
Unamortized Discount	0	(170,872)	4,618	(166,254)	0
Unamortized Premium	0	3,739,146	(101,058)	3,638,088	0
Total 2018 Refunding Bonds	0	29,494,520	(416,440)	29,078,080	170,000
Total General Obligation Bonds	27,680,857	29,781,824	(27,095,869)	30,366,812	605,000
Energy Conservation Loan	0	600,000	(57,189)	542,811	57,105
Compensated Absences	$1,678,603	$157,539	($94,644)	$1,741,498	$39,355

(continued)

	Restated Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018	Due In One Year
Governmental Activities (continued):					
Net Pension Liability:					
STRS	$22,690,921	$0	($6,381,697)	$16,309,224	$0
SERS	4,793,453	0	(1,152,461)	3,640,992	0
Total Net Pension Liability	27,484,374	0	(7,534,158)	19,950,216	0
Net OPEB Liability:					
STRS	3,625,357	0	(946,679)	2,678,678	0
SERS	1,882,233	0	(231,591)	1,650,642	0
Total Net OPEB Liability	5,507,590	0	(1,178,270)	4,329,320	0
Total Long-Term Liabilities	$62,351,424	$30,539,363	($35,960,130)	$56,930,657	$701,460

On September 25, 2013, the School District issued $25,999,984 of general obligation bonds that were issued for the purpose of renovating, remodeling, rehabilitating, adding to, furnishing, equipping and otherwise improving school facilities, and aquiring, clearing and improving school facility sites. At June 30, 2018, the School District had unspent proceeds of $383,484 related to the bonds. The general obligation bonds were issued for a 37 year period with a maturity date of Decemer 1, 2049, and an interest rate of 2.00-5.50 percent. The bond issue includes serial, term and capital appreciation bonds in the amounts of $7,855,000, $17,960,000 and $184,984, respectively. The bonds were issued at a premium of $1,284,629 and a discount of $169,445 and will be amortized over 37 years using the straight-line method. On August 16, 2017, the School District partially refunded the general obligation bonds, specifically the serial and term bonds.

The capital appreciation bonds remained outstanding at June 30, 2018. The capital appreciation bonds were originally sold at a discount of $1,645,016, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2019.

The maturity amount of outstanding capital appreciation bonds at June 30, 2018 is $1,830,000. The accretion recorded for fiscal year 2018 was $287,304, for a total outstanding bond liability of $1,167,052 at June 30, 2018.

On August 16, 2017, the School District issued $25,794,967 in general obligation bonds to refund a portion of the 2014 general obligation bonds in order to take advantage of lower interest rates. The general obligation bonds were issued for a 33 year period with a maturity date of Decemer 1, 2049, and an interest rate of 2.00-5.00 percent. The bond issue includes serial, term and capital appreciation bonds in the amounts of $4,430,000, $20,690,000 and $674,967, respectively. The bonds were issued at a premium of $3,739,146 and a discount of $170,872 and will be amortized over 33 years using the straight-line method.

The capital appreciation bonds were originally sold at a discount of $1,905,033, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2026.

The maturity amount of outstanding capital appreciation bonds at June 30, 2018 is $2,580,000. The accretion recorded for fiscal year 2018 was $131,279, for a total outstanding bond liability of $806,246 at June 30, 2018.

The term bonds were issued for a 19 year period with a final maturity of December 1, 2049.

The term bonds maturing on December 1, 2032, 2034, 2036, 2038, 2042 and 2049 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on August 1 in the years and in the respective principal amounts as follows:

	2018 School Improvement Term Bonds					
Year	$1,545,000	$1,640,000	$1,750,000	$1,905,000	$4,315,000	$9,535,000
2032	$760,000	$0	$0	$0	$0	$0
2033	785,000	0	0	0	0	0
2034	0	810,000	0	0	0	0
2035	0	830,000	0	0	0	0
2036	0	0	860,000	0	0	0
2037	0	0	890,000	0	0	0
2038	0	0	0	930,000	0	0
2039	0	0	0	975,000	0	0
2040	0	0	0	0	1,025,000	0
2041	0	0	0	0	1,060,000	0
2042	0	0	0	0	1,095,000	0
2043	0	0	0	0	1,135,000	0
2044	0	0	0	0	0	1,170,000
2045	0	0	0	0	0	1,230,000
2046	0	0	0	0	0	1,290,000
2047	0	0	0	0	0	1,355,000
2048	0	0	0	0	0	1,425,000
2049	0	0	0	0	0	1,495,000
2050	0	0	0	0	0	1,570,000
Total	$1,545,000	$1,640,000	$1,750,000	$1,905,000	$4,315,000	$9,535,000
Stated Maturity	*12/1/2032*	*12/1/2034*	*12/1/2036*	*12/1/2038*	*12/1/2042*	*12/1/2049*

The remaining principal amount of the term bonds ($1,545,000, $1,640,000, $1,750,000, $1,905,000, $4,315,000 and $9,535,000) will mature at the stated maturity.

Net proceeds of $28,960,597 (including a $3,739,146 premium, a $170,872 discount and after payment of $402,644 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, $25,795,000 of the 2014 general obligation bonds are considered defeased and the liabilities for those bonds has been removed from the statement of net position. At June 30, 2018, $25,795,000 of this debt was outstanding. The School District also incurred an economic gain (difference between the present value of the old and new debt service payments) of $2,436,995 and incurred an accounting loss of $2,316,588 (difference between amount paid to bond escrow agent and the refunding amount), which is shown in the following table:

2014 General Obligation Bonds	27,680,857
Non-refunded Portion of CABs	(184,984)
Non-refunded Portion of Accretion	(694,764)
Non-refunded Portion of Premium on Bonds	(175,200)
Non-refunded Portion of Discount on Bonds	23,100
Principal Payment on Non-Refunded Portion	(5,000)
Payment to Refunded Bond Escrow Agent - Other Financing Uses	(28,960,597)
2018 Refunding Bonds Accounting Loss	($2,316,588)

An analysis of the principal refunding follows:

Serial Bonds	$7,840,000
Term Bonds	17,960,000
CABs	184,984
Accretion	694,764
Premium on Bonds	1,153,229
Discount on Bonds	(152,120)
Total 2014 General Obligation Bonds Outstanding at June 30, 2017	27,680,857
Amount Refunded	(26,644,009)
Principal Payment on Non-Refunded Portion	(5,000)
Non-Refunded Portion of Accretion	287,304
Non-Refunded Portion of Premium on Bonds	(35,040)
Non-Refunded Portion of Discount on Bonds	4,620
2014 General Obligation Bonds Oustanding at June 30, 2018	$1,288,732

The School District's overall legal debt margin was $2,735,081 with an unvoted debt margin of $303,898 at June 30, 2018. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2018 are as follows:

	General Obligation Bonds						Energy Conservation Loan	
	Serial		Term		Capital Appreciation			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$170,000	$1,017,235	$0	$0	$69,818	$365,182	$57,105	$14,765
2020	170,000	1,013,835	0	0	52,438	412,562	57,882	13,211
2021	175,000	1,010,435	0	0	36,842	428,158	58,669	11,637
2022	180,000	1,006,935	0	0	25,886	439,114	59,467	10,041
2023	0	1,003,335	0	0	222,499	422,501	60,276	8,424
2024-2028	1,305,000	5,000,550	0	0	452,468	1,482,532	249,412	17,074
2029-2033	2,110,000	2,829,930	1,545,000	1,749,820	0	0	0	0
2034-2038	0	0	4,320,000	3,916,338	0	0	0	0
2039-2043	0	0	5,290,000	2,952,190	0	0	0	0
2044-2048	0	0	6,470,000	1,768,500	0	0	0	0
2049-2050	0	0	3,065,000	231,750	0	0	0	0
Total	$4,110,000	$12,882,255	$20,690,000	$10,618,598	$859,951	$3,550,049	$542,811	$75,152

Compensated absences will be paid from the general fund, food service, and latchkey “KATS” special revenue funds. There is no repayment schedule for the net pension liability or the net OPEB liability; however, employer pension and OPEB contributions are made from the general fund, food service, and latchkey “KATS” special revenue funds. For additional information related to the net pension/OPEB liabilities see Notes 22 and 23.

Note 19 – Operating Leases

In fiscal year 2017, the School District entered into an operating lease with ComDoc, for the period of January 1, 2017 to March 31, 2022, for the rental of printers throughout the School District. The terms of the lease require payment in monthly installments in the amount of $3,582. The cost of the printers was $225,666.

Note 20 – Set-Aside Calculation

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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	Capital Improvements
Set-aside Balance as of June 30, 2017	$0
Current Year Set-aside Requirement	227,351
Permanent Improvement Levy Offset	(59,614)
Permanent Improvement Insurance Recoveries Offset	(229,420)
Total	($61,683)
Set-aside Balance Carried Forward to Future Fiscal Years	$0
Set-aside Balance as of June 30, 2018	$0

Although the School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these amounts will not be used to reduce the set-aside requirements of future years.

Note 21 – Encumbrances

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	$166,696
Other Governmental Funds	308,326
Total	$475,022

Note 22 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liabilities represent the School District's proportionate share of each pension/OPEB plans' collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plans' fiduciary net position. The net pension/OPEB liabilities calculations are 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 pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liabilities. Resulting adjustments to the net pension/OPEB liabilities would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liabilities* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 23 for the required OPEB disclosures.

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 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. 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, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $1,055,997 for fiscal year 2018. Of this amount $141,596 is reported as an intergovernmental payable.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contribution to SERS was $273,302 for fiscal year 2018. Of this amount $26,471 is reported as an intergovernmental payable.

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

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

	STRS	SERS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.06778870%	0.06549260%	
Proportion of the Net Pension Liability Current Measurement Date	0.06865534%	0.06093935%	
Change in Proportionate Share	0.00086664%	-0.00455325%	
Proportionate Share of the Net Pension Liability	$16,309,224	$3,640,992	$19,950,216
Pension Expense	($6,647,305)	($235,110)	($6,882,415)

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

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$629,785	$156,696	$786,481
Changes of Assumptions	3,567,006	188,279	3,755,285
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	162,338	36,384	198,722
School District Contributions Subsequent to the Measurement Date	1,055,997	273,302	1,329,299
Total Deferred Outflows of Resources	$5,415,126	$654,661	$6,069,787
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$131,446	$0	$131,446
Net Difference between Projected and Actual Earnings on Pension Plan Investments	538,223	17,283	555,506
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	1,007,126	309,335	1,316,461
Total Deferred Inflows of Resources	$1,676,795	$326,618	$2,003,413

$1,329,299 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2019	$384,033	$41,966	$425,999
2020	1,116,204	103,935	1,220,139
2021	856,597	(6,281)	850,316
2022	325,500	(84,879)	240,621
Total	$2,682,334	$54,741	$2,737,075

Actuarial Assumptions – STRS

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

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

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

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

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

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	$23,378,716	$16,309,224	$10,354,235

Actuarial Assumptions – SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in 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 rebalanced uncorrelated asset classes.

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 earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the 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 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 (6.50 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	$5,052,750	$3,640,992	$2,458,356

Note 23 – Defined Benefit OPEB Plans

See Note 22 for a description of the net OPEB liability.

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 postemployment 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 postemployment health care.

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $29,387.

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 $39,509 for fiscal year 2018. Of this amount $30,367 is reported as an intergovernmental payable.

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:

	STRS	SERS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.06778870%	0.06603470%	
Proportion of the Net OPEB Liability Current Measurement Date	0.06865534%	0.06150536%	
Change in Proportionate Share	0.00086664%	-0.00452934%	
Proportionate Share of the Net OPEB Liability	$2,678,678	$1,650,642	$4,329,320
OPEB Expense	($810,767)	$62,029	($748,738)

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

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$154,630	$0	$154,630
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	39,727	0	39,727
School District Contributions Subsequent to the Measurement Date	0	39,509	39,509
Total Deferred Outflows of Resources	$194,357	$39,509	$233,866
Deferred Inflows of Resources			
Changes of Assumptions	$215,776	$156,637	$372,413
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	114,493	4,359	118,852
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	0	100,647	100,647
Total Deferred Inflows of Resources	$330,269	$261,643	$591,912

$39,509 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:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2019	($32,193)	($94,308)	($126,501)
2020	(32,193)	(94,308)	(126,501)
2021	(32,193)	(71,937)	(104,130)
2022	(32,194)	(1,090)	(33,284)
2023	(3,570)	0	(3,570)
Thereafter	(3,569)	0	(3,569)
Total	($135,912)	($261,643)	($397,555)

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 as follows:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

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 School District's proportionate share of 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 School District's proportionate share of 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 School District's proportionate share of 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	$3,596,082	$2,678,678	$1,953,629

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$1,861,031	$2,678,678	$3,754,798

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 as follows:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

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 School District's proportionate share of the net OPEB liability of SERS and what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what the School District's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one 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	$1,993,361	$1,650,642	$1,379,122

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's Proportionate Share of the Net OPEB Liability	$1,339,373	$1,650,642	$2,062,613

Brooklyn City School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

*Last Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.06865534%	0.06778870%	0.07175286%	0.07466164%	0.07466164%
School District's Proportionate Share of the Net Pension Liability	$16,309,224	$22,690,921	$19,830,392	$18,160,295	$21,632,424
School District's Covered Payroll	$7,240,393	$7,229,907	$7,652,064	$7,343,092	$7,550,038
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	225.25%	313.85%	259.15%	247.31%	286.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

Brooklyn City School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

State Teachers Retirement System of Ohio

*Last Two Fiscal Years (1) **

	2018	2017
School District's Proportion of the Net OPEB Liability	0.06865534%	0.06778870%
School District's Proportionate Share of the Net OPEB Liability	$2,678,678	$3,625,357
School District's Covered Payroll	$7,240,393	$7,229,907
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	37.00%	50.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.06093935%	0.06549260%	0.06876930%	0.06654200%	0.06654200%
School District's Proportionate Share of the Net Pension Liability	$3,640,992	$4,793,453	$3,924,042	$3,367,652	$3,957,039
School District's Covered Payroll	$1,872,329	$2,045,421	$2,097,132	$1,763,218	$1,886,069
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	194.46%	234.35%	187.11%	190.99%	209.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

Brooklyn City School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

School Employees Retirement System of Ohio

*Last Two Fiscal Years (1) **

	2018	2017
School District's Proportion of the Net OPEB Liability	0.06150536%	0.06603470%
School District's Proportionate Share of the Net OPEB Liability	$1,650,642	$1,882,233
School District's Covered Payroll	$1,872,329	$2,045,421
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	88.16%	92.02%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

Brooklyn City School District

Required Supplementary Information

Schedule of School District Contributions

State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability:				
Contractually Required Contribution	$1,055,997	$1,013,655	$1,012,187	$1,071,289
Contributions in Relation to the Contractually Required Contribution	(1,055,997)	(1,013,655)	(1,012,187)	(1,071,289)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$7,542,836	$7,240,393	$7,229,907	$7,652,064
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability:				
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
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$954,602	$981,505	$1,008,220	$1,010,010	$996,947	$921,008
(954,602)	(981,505)	(1,008,220)	(1,010,010)	(996,947)	(921,008)
$0	$0	$0	$0	$0	$0
$7,343,092	$7,550,038	$7,755,538	$7,769,308	$7,668,823	$7,084,677
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$73,431	$75,500	$77,555	$77,693	$76,688	$70,847
(73,431)	(75,500)	(77,555)	(77,693)	(76,688)	(70,847)
$0	$0	$0	$0	$0	$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Brooklyn City School District

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

	2018	2017	2016	2015
Net Pension Liability:				
Contractually Required Contribution	$273,302	$262,126	$286,359	$276,402
Contributions in Relation to the Contractually Required Contribution	(273,302)	(262,126)	(286,359)	(276,402)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$2,024,459	$1,872,329	$2,045,421	$2,097,132
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability:				
Contractually Required Contribution (2)	$39,509	$31,977	$32,651	$50,827
Contributions in Relation to the Contractually Required Contribution	(39,509)	(31,977)	(32,651)	(50,827)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	1.95%	1.71%	1.60%	2.42%
Total Contributions as a Percentage of Covered Payroll (2)	15.45%	15.71%	15.60%	15.60%

(1) The School District's covered payroll is the same for Pension and OPEB.
(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$244,382	$261,032	$274,951	$251,470	$246,303	$146,946
(244,382)	(261,032)	(274,951)	(251,470)	(246,303)	(146,946)
$0	$0	$0	$0	$0	$0
$1,763,218	$1,886,069	$2,044,245	$2,000,557	$1,819,077	$1,493,354
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
$33,425	$31,309	$36,448	$58,616	$35,654	$91,991
(33,425)	(31,309)	(36,448)	(58,616)	(35,654)	(91,991)
$0	$0	$0	$0	$0	$0
1.90%	1.66%	1.78%	2.93%	1.96%	6.16%
15.76%	15.50%	15.23%	15.50%	15.50%	16.00%

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented as follows:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1 ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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 as follows:

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.

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Brooklyn City School District
Cuyahoga County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018
(Prepared by Management)

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
National School Lunch Program	10.555	$ 210,851
National School Lunch Program - Donated Commodities	10.555	30,178
National School Breakfast Program	10.553	44,207
Total Child Nutrition Cluster		285,236
Total U.S. Department of Agriculture		**285,236**
U.S. DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education		
Title I		
Title I Grants to Local Education Agencies - FY2017	84.010	88,716
Title I Grants to Local Education Agencies - FY2018	84.010	296,869
Total Title I		385,585
Special Education Cluster		
Special Education Grants to States - IDEA Part B - FY2018	84.027	323,956
Special Education Preschool Grants	84.173	6,507
Total Special Education Cluster		330,463
Improving Teacher Quality State Grants - Title IIA - FY2018	84.367	50,309
Title IV-A	84.424	10,000
English Language Acquisition State Grants - Title III, Part A	84.365	18,626
Total U.S. Department of Education		**794,983**
Total Expenditures of Federal Awards		**$ 1,080,219**

The accompanying notes are an integral part of this schedule.

Brooklyn City School District
Cuyahoga County
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Year Ended June 30, 2018
(Prepared by Management)

NOTE A – BASIS OF PRESENTATION

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

NOTE C – INDIRECT COST RATE

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

NOTE D - SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award’s performance goals.

NOTE E - 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 F – 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.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 programs:

Program Title	CFDA Number	Amount Transferred
Title I	84.010	$ 35,625
Title II-A	84.367	4,195

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brooklyn City School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2018. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we have reported to the District's management in a separate letter dated December 19, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
December 19, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Brooklyn City School District, Cuyahoga County, Ohio's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance 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 express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Brooklyn City School District, Cuyahoga County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charles E. Harris & Associates, Inc.
December 19, 2018

Brooklyn City School District
Cuyahoga 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 weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster – CFDA #84.173 and # 84.027
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

BROOKLYN CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 19, 2019