Fremont City School District
Sandusky County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

Board of Education
Fremont City School District
500 West State Street
Fremont, Ohio 43420

We have reviewed the *Independent Auditor's Report* of the Fremont City School District, Sandusky County, prepared by Rea & 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 Fremont City School District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

January 28, 2019

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Rea & associates a brighter way

December 21, 2018

The Board of Education
Fremont City School District
500 West State Street Suite A
Fremont, OH 43420

Independent Auditor's Report

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 Fremont City School District, Sandusky County, Ohio, (the "School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School 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 entity'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 entity'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 evaluating 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 Fremont City School District, Sandusky County, Ohio, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 2, the School District restated the net position balance to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to 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, Schedule of the School District's Proportionate Share of the Net Pension Liability, Schedule of School District's Contributions - Pension, Schedule of the School District's Proportionate Share of the Net OPEB Liability* and *Schedule of School District's Contributions - OPEB* on pages 5–14, 67, 68-69, 71, and 72-73, respectively, 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 School District's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 of expenditures of federal awards 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 21, 2018 on our consideration of the School 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 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 the effectiveness of the School District's 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 School District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Net position increased $73,474,602 during fiscal year 2018.
- Capital assets increased $480,482 during fiscal year 2018.
- During the fiscal year, outstanding debt increased from $15,655,747 to $73,781,750 primarily from the issuance of $58,635,000 in general obligation bonds.
- The School District implemented GASB 75, which reduced beginning net position as previously reported by $14,362,157.
- A decrease in net pension liability and net OPEB liability substantially decreased all instructional and support services expenses compared to fiscal year 2017. See further explanation after Table 1.
- The School District entered into agreement with the Ohio Facilities Construction Commission project and began a school facilities improvement project in fiscal year 2018.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Proprietary Funds The School District maintains a proprietary fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses its internal service fund to account for its healthcare costs. Because this service predominantly benefits governmental functions, they have been included within governmental activities in the government-wide statements.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in the agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25 and 26. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

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

Table 1
Net Position

	Governmental Activities	
	2018	Restated 2017
Assets		
Current and Other Assets	$ 159,487,058	$ 41,947,635
Capital Assets	30,829,171	30,348,689
Total Assets	190,316,229	72,296,324
Deferred Outflows of Resources		
Deferred Charges on Refunding	1,173,384	1,283,227
Pension & OPEB	19,090,959	13,769,276
Total Deferred Outflows of Resources	20,264,343	15,052,503
Liabilities		
Current and Other Liabilities	7,928,164	4,745,079
Long-Term Liabilities:		
Due Within One Year	1,807,523	1,145,172
Due in More Than One Year:		
Pension & OPEB	65,885,088	86,179,102
Other Amounts	82,384,762	20,047,839
Total Liabilities	158,005,537	112,117,192
Deferred Inflows of Resources		
Property Taxes Levied for the Next Year	13,202,332	12,488,394
Pension & OPEB	3,849,430	694,570
Total Deferred Outflows of Resources	17,051,762	13,182,964
Net Position		
Net Investment in Capital Assets	14,766,473	14,500,628
Restricted	63,746,738	7,004,197
Unrestricted	(42,989,938)	(59,456,154)
Total Net Position	$ 35,523,273	$ (37,951,329)

The net pension liability (NPL) 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 below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a deficit of $23,589,172 to a deficit of $37,951,329.

At year end, capital assets represented 16 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings, equipment and vehicles. Net investment in capital assets was $14,766,473 at June 30, 2018. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, $63,746,738 represents resources that are subject to external restrictions on how they may be used. The increase in restricted net position is primarily due to the OFFC project award described below. The balance of government-wide unrestricted net position was a deficit of $42,989,938, primarily caused by pension and OPEB accruals.

The increases in cash, intergovernmental receivable, capital assets, contracts payable, accrued interest payable and other amounts due in more year are all related to the new Ohio Facilities Construction Commission project to build a new high school. The grants and entitlements restricted for OFCC represent the total award amount of the OFCC project. The School District issued $58,635,000 in new debt to fund the project and as of June 30, 2018, these proceeds were primarily unspent, with the exception of 763,445 in contracts payable for architectural costs incurred before June 30, 2018 but not yet paid.

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

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

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program Revenues:		
Charges for Services	$ 1,711,289	$ 1,408,927
Operating Grants	6,751,520	7,450,028
Capital Grants	88,056	88,603
Total Program Revenues	8,550,865	8,947,558
General Revenues:		
Property Taxes	16,067,955	12,942,738
Income Taxes	8,218,792	8,527,596
Grants and Entitlements Not Restricted	18,325,754	18,571,382
Grants and Entitlements Restricted	52,493,983	0
Payments in Lieu of Taxes	19,600	334,498
Other	1,085,560	387,738
Total General Revenues	96,211,644	40,763,952
Total Revenues	104,762,509	49,711,510
Program Expenses		
Instruction:		
Regular	9,494,307	23,510,534
Special	3,846,930	6,974,308
Vocational	66,815	63,486
Student Intervention Services	58,690	82,604
Other	(122,194)	175,794
Support Services:		
Pupils	1,661,547	3,163,327
Instructional Staff	897,662	1,830,237
Board of Education	32,735	73,113
Administration	1,940,034	4,436,650
Fiscal	971,712	1,041,031
Business	140,010	201,815
Operation and Maintenance of Plant	3,909,880	4,363,606
Pupil Transportation	1,804,538	1,878,957
Central	631,110	913,600
Operation of Non-Instructional Services:		
Food Service Operations	1,813,828	2,146,616
Community Services	298,534	631,679
Extracurricular Activities	652,386	1,110,219
Debt Service:		
Interest and Fiscal Charges	3,189,383	712,529
Total Expenses	31,287,907	53,310,105
Increase (Decrease) in Net Position	$ 73,474,602	$ (3,598,595)

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 $93,224 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $1,896,011. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	$ 31,287,907
Negative OPEB Expense under GASB 75	1,896,011
2018 Contractually Required Contribution	123,177
Adjusted 2018 Program Expenses	33,307,095
Total 2017 Program Expenses under GASB 45	53,310,105
Decrease in Program Expenses not Related to OPEB	$ (20,003,010)

See financial highlights for explanation of substantial decreases in all program expenses. The negative expense reported in other instruction was also caused by these accruals. The increase in interest expense is caused by large interest payments on new debt issued in July 2017.

Property tax revenue increased $3,125,217 as the result of a new levy passed in May 2017 to fund the OFCC project combined with an increase in the amount available for advance, which can vary from year to year based on the dates when bills are sent and revenue collected. Restricted grants and entitlements of $52,493,983 consists of State funding for the OFCC project. Charges for services increased $302,362 or 21 percent primarily due to a significant increase in tuition and fees. Investment earnings increased $697,882 due to the investment of OFFC project funds and unspent proceeds.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2018	2017	2018	2017
Instruction:				
Regular	$ 9,494,307	$ 23,510,534	$ 7,856,248	$ 22,038,151
Special	3,846,930	6,974,308	957,307	3,647,775
Vocational	66,815	63,486	32,350	38,416
Student Intervention Services	58,690	82,604	58,690	82,604
Other	(122,194)	175,794	(212,801)	47,073
Support Services:				
Pupils	1,661,547	3,163,327	1,391,654	2,990,537
Instructional Staff	897,662	1,830,237	408,595	1,200,372
Board of Education	32,735	73,113	32,735	73,113
Administration	1,940,034	4,436,650	1,760,994	4,224,699
Fiscal	971,712	1,041,031	957,035	1,000,033
Business	140,010	201,815	140,010	201,815
Operation and Maintenance of Plant	3,909,880	4,363,606	3,861,509	4,283,421
Pupil Transportation	1,804,538	1,878,957	1,636,648	1,757,963
Central	631,110	913,600	508,334	805,650
Operation of Non-Instructional Services:				
Food Service Operations	1,813,828	2,146,616	(7,300)	212,601
Community Services	298,534	631,679	(210,147)	202,568
Extracurricular Activities	652,386	1,110,219	375,798	843,227
Debt Service:				
Interest and Fiscal Charges	3,189,383	712,529	3,189,383	712,529
Total Expenses	$ 31,287,907	$ 53,310,105	$ 22,737,042	$ 44,362,547

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

The dependence upon general revenues for governmental activities is apparent. Approximately 73 percent of governmental activities are supported through taxes and other general revenues; such revenues are 92 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major fund starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The net change in fund balances for the fiscal year was an increase of $71,337,703 for all governmental funds with the most significant increase in the classroom facilities fund.

The general fund's net change in fund balance for fiscal year 2018 was a decrease of $5,314,230. The majority of this decrease is due to transferring out $4,907,000 to the permanent improvement fund and food service.

The bond retirement fund's net change in fund balance for fiscal year 2018 was an increase of $6,513,737. This increase is primarily due to a premium on debt issuance coupled by the timing of property tax and other revenues and debt service payments due.

The classroom facilities fund's net change in fund balance for fiscal year 2018 was an increase of $61,850,794. This increase is due to the issuance of new debt to fund the new high school project as well the timing of State funding compared to incurring project expenses. The $45,196,143 in intergovernmental receivable and the offsetting amount in deferred inflows-unavailable revenue represents the entire OFCC project award amount less any drawdowns received during fiscal year 2018.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2018, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget revenues of $42,222,548 were conservatively estimated lower than the actual revenues by $167,051.

Actual expenditures of $43,163,241 were lower than the final expenditure appropriations of $44,236,971 by $1,073,730. This was due to conservative budgeting primarily in the instruction functions.

There were no significant variances to discuss in other financing sources and uses other than the transfer out of $4,907,000 to the permanent improvement fund and food service which was not originally budgeted.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $30,829,171 invested in capital assets. Table 4 shows fiscal year 2018 balances compared with 2017.

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

	Governmental Activities	
	2018	2017
Land	$ 409,270	$ 409,270
Construction in Progress	763,445	0
Land Improvements	479,764	136,320
Buildings	27,767,668	28,423,636
Equipment	944,033	1,068,934
Vehicles	464,991	310,529
Totals	$ 30,829,171	$ 30,348,689

The $480,482 increase in capital assets was attributable to additions to depreciable assets and construction in progress exceeding depreciation and disposals in the current year. See Note 10 for more information about the capital assets of the School District.

Debt

At June 30, 2018, the School District had $73,781,750 in debt outstanding. The School District issued general obligation bonds in the amount of $58,635,000 during fiscal year 2018. See Note 15 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at June 30

	Governmental Activities	
	2018	2017
General Obligation Bonds:		
Various Serial/Term Bonds	$ 73,395,000	$ 15,105,000
Various Capital Appreciation Bonds	239,935	413,747
Accretion on Capital Appreciation Bonds	146,815	137,000
Totals	$ 73,781,750	$ 15,655,747

Current Issues

The School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. Recent national events and their impact on the School District and the surrounding area are very much under review and analysis. Economic recession has yet to impact our primary industries, but that could be a seasonal phenomena resulting from our agricultural and housing industry strengths. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its five year forecast.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Thus management must diligently plan expenses from this growth, staying carefully within its five-year forecast.

As a result of the challenges mentioned above, it is imperative that the School District's management continue to carefully and prudently plan to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Interim Treasurer of Fremont City School District, 500 W. State Street, Suite A, Fremont, Ohio 43420 treasurer@fremontschools.net.

Fremont City School District
Sandusky County, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	$ 88,644,658
Cash and Cash Equivalents in Segregated Accounts	4,500,135
Investments	123,450
Receivables:	
Accounts	39,392
Intergovernmental	46,259,512
Income Taxes	3,281,913
Property Taxes	16,627,337
Notes	10,661
Nondepreciable Capital Assets	1,172,715
Depreciable Capital Assets (Net)	29,656,456
Total Assets	190,316,229
Deferred Outflows of Resources	
Deferred Charges on Refunding	1,173,384
Pension	18,188,128
OPEB	902,831
Total Deferred Outflows of Resources	20,264,343
Liabilities	
Accounts Payable	317,515
Accrued Wages and Benefits	3,046,302
Contracts Payable	763,445
Intergovernmental Payable	1,119,957
Accrued Interest Payable	2,545,007
Claims Payable	135,938
Long Term Liabilities:	
Due Within One Year	1,807,523
Due in More Than One Year:	
Net Pension Liability	54,021,451
Net OPEB Liability	11,863,637
Other Amounts	82,384,762
Total Liabilities	158,005,537
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	13,202,332
Pension	2,467,267
OPEB	1,382,163
Total Deferred Inflows of Resources	17,051,762
Net Position	
Net Investment in Capital Assets	14,766,473
Restricted For:	
Capital Outlay	57,333,502
Debt Service	2,847,900
Capital Facilities Maintenance	2,487,073
Other Purposes	1,078,263
Unrestricted	(42,989,938)
Total Net Position	$ 35,523,273

See accompanying notes to the basic financial statements.

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	$ 9,494,307	$ 1,080,104	$ 543,617	$ 14,338	$ (7,856,248)
Special	3,846,930	0	2,889,623	0	(957,307)
Vocational	66,815	0	34,465	0	(32,350)
Student Intervention Services	58,690	0	0	0	(58,690)
Other	(122,194)	0	90,607	0	212,801
Support Services:					
Pupils	1,661,547	587	269,306	0	(1,391,654)
Instructional Staff	897,662	9,825	479,242	0	(408,595)
Board of Education	32,735	0	0	0	(32,735)
Administration	1,940,034	14,783	164,257	0	(1,760,994)
Fiscal	971,712	0	11,317	3,360	(957,035)
Business	140,010	0	0	0	(140,010)
Operation and Maintenance of Plant	3,909,880	0	44,716	3,655	(3,861,509)
Pupil Transportation	1,804,538	0	110,200	57,690	(1,636,648)
Central	631,110	34,897	87,879	0	(508,334)
Operation of Non-Instructional Services:					
Food Service Operations	1,813,828	342,751	1,478,377	0	7,300
Community Services	298,534	0	508,681	0	210,147
Extracurricular Activities	652,386	228,342	39,233	9,013	(375,798)
Debt Service:					
Interest and Fiscal Charges	3,189,383	0	0	0	(3,189,383)
Total	$ 31,287,907	$ 1,711,289	$ 6,751,520	$ 88,056	(22,737,042)

General Revenues	
Property Taxes Levied for:	
General Purposes	12,406,119
Debt Service	2,989,527
Capital Outlay	358,240
Classroom Facilities Maintenance	314,069
Income Taxes Levied for:	
General Purposes	8,218,792
Grants and Entitlements Not Restricted to Specific Programs	18,325,754
Grants and Entitlements Restricted for Ohio School Facilities	52,493,983
Payments in Lieu of Taxes	19,600
Investment Earnings	983,415
Miscellaneous	102,145
Total General Revenues	96,211,644
Change in Net Position	73,474,602
Net Position Beginning of Year - Restated, See Note 2	(37,951,329)
Net Position End of Year	$ 35,523,273

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Bond Retirement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	$ 8,603,037	$ 2,559,183	$ 62,568,094	$ 13,746,336	$ 87,476,650
Cash and Cash Equivalents in Segregated Accounts	0	4,500,135	0	0	4,500,135
Investments	0	0	0	123,450	123,450
Receivables:					
Accounts	36,453	0	0	2,939	39,392
Intergovernmental	179,411	0	45,196,143	793,127	46,168,681
Income Taxes	3,281,913	0	0	0	3,281,913
Property Taxes	12,079,448	3,830,080	0	717,809	16,627,337
Notes	0	0	0	10,661	10,661
Total Assets	$ 24,180,262	$ 10,889,398	$ 107,764,237	$ 15,394,322	$ 158,228,219
Liabilities					
Accounts Payable	$ 130,618	$ 0	$ 10,350	$ 176,547	$ 317,515
Accrued Wages and Benefits	2,854,908	0	0	191,394	3,046,302
Contracts Payable	0	0	706,950	56,495	763,445
Intergovernmental Payable	1,038,506	0	0	81,451	1,119,957
Total Liabilities	4,024,032	0	717,300	505,887	5,247,219
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	9,544,550	3,026,329	0	631,453	13,202,332
Unavailable Revenue	974,204	94,655	45,196,143	558,519	46,823,521
Total Deferred Inflows of Resources	10,518,754	3,120,984	45,196,143	1,189,972	60,025,853
Fund Balances					
Nonspendable	4,834	0	0	0	4,834
Restricted	0	7,768,414	61,850,794	13,739,507	83,358,715
Committed	108,778	0	0	0	108,778
Assigned	6,077,201	0	0	0	6,077,201
Unassigned	3,446,663	0	0	(41,044)	3,405,619
Total Fund Balances	9,637,476	7,768,414	61,850,794	13,698,463	92,955,147
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 24,180,262	$ 10,889,398	$ 107,764,237	$ 15,394,322	$ 158,228,219

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balances		$ 92,955,147
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.		30,829,171
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	$ 45,833,897	
Income Taxes	586,470	
Property Taxes	403,154	46,823,521
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,122,901
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(2,545,007)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	18,188,128	
Deferred Outflows - OPEB	902,831	
Net Pension Liability	(54,021,451)	
Net OPEB Liability	(11,863,637)	
Deferred Inflows - Pension	(2,467,267)	
Deferred Inflows - OPEB	(1,382,163)	(50,643,559)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(73,395,000)	
Capital Appreciation Bonds	(239,935)	
Accretion of Interest - Capital Appreciation Bonds	(146,815)	
Bond Premium	(6,241,525)	
Unamortized Gain on Refunding - Deferred charges	1,173,384	
Compensated Absences	(4,169,010)	(83,018,901)
Net Position of Governmental Activities		$ 35,523,273

See accompanying notes to the basic financial statements.

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

	General Fund	Bond Retirement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	$ 12,864,711	$ 3,050,567	$ 0	$ 707,874	$ 16,623,152
Income Taxes	8,213,001	0	0	0	8,213,001
Intergovernmental	20,370,298	180,898	7,297,840	4,926,628	32,775,664
Investment Income	198,498	48,688	687,041	49,188	983,415
Tuition and Fees	829,464	0	0	0	829,464
Extracurricular Activities	153,851	0	0	227,352	381,203
Rentals	21,995	0	0	0	21,995
Payments in Lieu of Taxes	19,600	0	0	0	19,600
Charges for Services	46,668	0	0	342,751	389,419
Contributions and Donations	20,808	0	0	37,200	58,008
Miscellaneous	85,430	0	0	7,123	92,553
Total Revenues	42,824,324	3,280,153	7,984,881	6,298,116	60,387,474
Expenditures					
Current:					
Instruction:					
Regular	20,896,730	0	0	1,188,092	22,084,822
Special	5,319,932	0	0	1,304,161	6,624,093
Vocational	58,059	0	0	0	58,059
Student Intervention Services	58,690	0	0	0	58,690
Other	536	0	0	91,193	91,729
Support Services:					
Pupils	3,184,144	0	0	211,362	3,395,506
Instructional Staff	1,333,995	0	0	456,292	1,790,287
Board of Education	32,735	0	0	0	32,735
Administration	3,951,868	0	0	106,373	4,058,241
Fiscal	953,169	59,215	0	31,653	1,044,037
Business	169,537	0	0	0	169,537
Operation and Maintenance of Plant	3,695,464	0	0	81,309	3,776,773
Pupil Transportation	1,830,713	0	0	296,126	2,126,839
Central	887,515	0	0	16,200	903,715
Extracurricular Activities	846,605	0	0	239,920	1,086,525
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	1,871,433	1,871,433
Community Services	11,807	0	0	491,209	503,016
Capital Outlay	55	0	770,679	530,799	1,301,533
Debt Service:					
Principal Retirement	0	518,812	0	0	518,812
Interest and Fiscal Charges	0	1,111,045	0	0	1,111,045
Total Expenditures	43,231,554	1,689,072	770,679	6,916,122	52,607,427
Excess of Revenues Over (Under) Expenditures	(407,230)	1,591,081	7,214,202	(618,006)	7,780,047
Other Financing Sources (Uses)					
Isssuance of General Obligation Bonds	0	0	54,636,592	3,998,408	58,635,000
Premium on Debt Issuance	0	4,922,656	0	0	4,922,656
Transfers In	0	0	0	4,907,000	4,907,000
Transfers Out	(4,907,000)	0	0	0	(4,907,000)
Total Other Financing Sources (Uses)	(4,907,000)	4,922,656	54,636,592	8,905,408	63,557,656
Net Change in Fund Balance	(5,314,230)	6,513,737	61,850,794	8,287,402	71,337,703
Fund Balances Beginning of Year	14,951,706	1,254,677	0	5,411,061	21,617,444
Fund Balances End of Year	$ 9,637,476	$ 7,768,414	$ 61,850,794	$ 13,698,463	$ 92,955,147

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$ 71,337,703
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	$ 1,486,518	
Current Year Depreciation	(1,004,037)	482,481
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.		(1,999)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	44,918,546	
Income Taxes	5,791	
Property Taxes	(555,395)	44,368,942
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	345,000	
Capital Appreciation Bonds	173,812	
Accretion on Capital Appreciation Bonds	86,188	605,000
Debt proceeds issued in the governmental funds that increase long-term in the statement of net position are not reported as revenues.		
General Obligation Bonds	(58,635,000)	
Premium on General Obligation Bonds	(4,922,656)	(63,557,656)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	(2,252,352)	
Amortization of Premium on Bonds	293,672	
Amortization of Refunding Loss	(109,843)	(2,068,523)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	3,643,457	
OPEB	123,177	3,766,634
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	16,798,192	
OPEB	1,896,011	18,694,203
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		188,107
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(244,287)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		(96,003)
Change in Net Position of Governmental Activities		$ 73,474,602

See accompanying notes to the basic financial statements.

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

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues				
Property and Other Local Taxes	$ 11,675,000	$ 11,862,910	$ 12,246,962	$ 384,052
Income Taxes	7,866,108	8,226,163	8,226,163	0
Intergovernmental	21,468,100	20,660,100	20,455,230	(204,870)
Investment Income	200,000	345,000	403,679	58,679
Tuition and Fees	693,019	839,606	808,874	(30,732)
Extracurricular Activities	95,193	95,193	98,278	3,085
Rentals	21,943	23,743	21,995	(1,748)
Charges for Services	47,000	47,000	34,701	(12,299)
Payments in Lieu of Taxes	19,600	19,600	19,600	0
Contributions and Donations	27,720	27,720	3,500	(24,220)
Miscellaneous	67,238	75,513	70,617	(4,896)
Total Revenues	42,180,921	42,222,548	42,389,599	167,051
Expenditures				
Current:				
Instruction:				
Regular	21,745,100	21,172,025	20,764,217	407,808
Special	4,568,569	5,677,535	5,341,382	336,153
Vocational	57,637	80,434	80,434	0
Student Intervention Services	134,135	136,392	58,690	77,702
Support Services:				
Pupils	2,792,897	3,291,590	3,190,230	101,360
Instructional Staff	989,122	1,307,527	1,281,220	26,307
Board of Education	55,870	37,972	36,486	1,486
Administration	3,817,633	3,991,740	3,937,588	54,152
Fiscal	910,409	962,760	955,152	7,608
Business	184,795	170,211	169,671	540
Operation and Maintenance of Plant	3,757,474	3,858,918	3,842,733	16,185
Pupil Transportation	1,648,071	1,863,114	1,854,394	8,720
Central	766,068	798,102	794,988	3,114
Extracurricular Activities	792,249	877,589	844,994	32,595
Operation of Non-Instructional Services:				
Community Services	0	11,062	11,062	0
Total Expenditures	42,220,029	44,236,971	43,163,241	1,073,730
Excess of Revenues Over (Under) Expenditures	(39,108)	(2,014,423)	(773,642)	1,240,781
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	2,250	2,250	0	(2,250)
Refund of Prior Year Expenditures			2,507	2,507
Insurance Recoveries	7,500	7,500	0	(7,500)
Transfers In	20,000	20,000	0	(20,000)
Advances Out	(100,000)	0	0	0
Transfers Out	(100,000)	(4,983,060)	(4,907,000)	76,060
Total Other Financing Sources (Uses)	(170,250)	(4,953,310)	(4,904,493)	48,817
Net Change in Fund Balance	(209,358)	(6,967,733)	(5,678,135)	1,289,598
Fund Balance Beginning of Year	13,241,196	13,241,196	13,241,196	0
Prior Year Encumbrances Appropriated	420,030	420,030	420,030	0
Fund Balance End of Year	$ 13,451,868	$ 6,693,493	$ 7,983,091	$ 1,289,598

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2018

	Governmental Activities - Internal Service Fund
Assets	
Equity in Pooled Cash and Investments	$ 1,168,008
Intergovernmental Receivable	90,831
Total Assets	1,258,839
Liabilities	
Claims Payable	135,938
Net Position	
Unrestricted	$ 1,122,901

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	$ 5,336,082
Other	276,333
Total Operating Revenues	5,612,415
Operating Expenses	
Purchased Services	953,034
Claims	4,471,274
Total Operating Expenses	5,424,308
Operating Income (Loss)	188,107
Net Position Beginning of Year	934,794
Net Position End of Year	$ 1,122,901

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Cash Received for Charges for Services	$ 5,346,095
Cash Received from Other Operating Sources	276,333
Cash Payments to Suppliers for Goods and Services	(877,225)
Cash Payments for Claims	(4,632,341)
Net Cash Provided By (Used For) Operating Activities	112,862
Net Increase (Decrease) in Cash and Investments	112,862
Cash and Investments, Beginning of Year	1,055,146
Cash and Investments, End of Year	$ 1,168,008
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	$ 188,107
(Increase) Decrease Assets:	
Intergovernmental Receivable	10,013
Prepaid Items	75,809
Increase (Decrease) in Liabilities:	
Claims Payable	(161,067)
Total Adjustments	(75,245)
Net Cash Provided By (Used For) Operating Activities	$ 112,862

See accompanying notes to the basic financial statements.

Fremont City School District
Sandusky County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	$ 64,215	$ 102,263
Investments	274,342	20,287
Total Assets	338,557	$ 122,550
Liabilities		
Undistributed Monies	0	$ 20,287
Due to Students	0	102,263
Total Liabilities	0	$ 122,550
Net Position		
Held in Trust for Scholarships	$ 338,557	

See accompanying notes to the basic financial statements.

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

	Private Purpose Trust
Additions	
Interest	$ 1,613
Miscellaneous	7,463
Total Additions	9,076
Deductions	
Payments in Accordance with Trust Agreements	2,600
Change in Net Position	6,476
Net Position Beginning of Year	332,081
Net Position End of Year	$ 338,557

See accompanying notes to the basic financial statements.

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

Fremont City School District (the “School District”) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state statute and federal guidelines.

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred sixty-two square miles. It is located in central Sandusky County, including all of the City of Fremont and portions of surrounding townships. It is staffed by 160 classified employees, 298 certified teaching personnel, including 35 administrative employees who provide services to students and other community members. The School District currently operates seven elementary schools, a middle school, and a comprehensive high school.

Reporting Entity

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

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

The following activity is included within the School District’s reporting entity:

> Parochial Schools - Within the School District boundaries, Bishop Hoffman Catholic Schools are operated through the Toledo Catholic Diocese. Current state legislation provides funding to these parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund for financial reporting purposes by the School District.

The School District participates in three jointly governed organizations. These organizations are the Northern Ohio Educational Computer Association, the Vanguard-Sentinel Career Center and the Ohio Schools Council. These organizations are presented in Note 17 to the basic financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

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

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

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into three categories: governmental, proprietary, 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 School District's major funds are described below:

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

Bond Retirement Fund - The bond retirement fund is used to account for the accumulation of property tax revenues restricted for the payment of the general obligation bonds used for the construction and improvements of school buildings and facilities.

Classroom Facilities Fund - The classroom facilities fund is used to account for monies received and expended in connection with contracts entered into by the School District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

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

Proprietary Fund - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The School District reports one type of proprietary fund:

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's Self Insurance internal service fund accounts for the activities of the program for employee health care benefits and workers' compensation.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various staff-managed and student- managed activities, a flex spending account, and for money temporarily held for Ohio High School Athletic Association (OHSAA) tournaments.

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., expenditures) in total net position.

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

Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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 and the statements fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows, and in the presentation of expenses versus expenditures.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student 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, for pension and OPEB. 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 Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, income taxes, grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13).

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.

Budgetary Process

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

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

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

Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During the fiscal year all investments were limited to certificates of deposit, instruments of government sponsored mortgage-backed securities, U.S. Treasury bills, money markets, and commercial paper. In addition, for 2018 the School District had an interest in STAR Ohio, the State Treasurer's Investment Pool.
STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, ***Certain External Investment Pools and Pool Participants.*** The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

All interest is legally required to be placed in the general fund, and other funds as approved by a Board resolution. Interest revenue credited to the general fund during fiscal year 2018 amount to $198,498, which includes $91,164 assigned from other School District funds.

Investments of the School District's 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 that were not purchased from the pool are reported as investments.

Capital Assets

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

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

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

Description	Estimated Lives
Land Improvements	5 - 7 Years
Buildings	5 - 75 Years
Equipment	3 - 25 Years
Vehicles	4 - 15 Years

Interfund Balances

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

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 the School District 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 termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

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

Pensions and Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-Term Obligations

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

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

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 balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2018, none of the School District's net position was restricted for enabling legislation.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are 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- fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long- term amount of loans receivable, unless the use of the proceeds from the collection of those receivables is restricted, committed, or assigned.

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

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

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

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services in the internal service fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating.

Interfund Activity

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

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.

Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended June 30, 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments.*

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

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

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

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

Net Position, June 30, 2017	$	(23,589,172)
Adjustments:		
Net OPEB Liability		(14,455,381)
Deferred Outflow-Payments Subsequent to Measurement Date		93,224
Restated Net Position, July 1, 2017	$	(37,951,329)

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

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NOTE 3: 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 governmental funds.

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

	General Fund	Bond Retirement Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Nonspendable for:					
Unclaimed Monies	$ 4,834	$ 0	$ 0	$ 0	$ 4,834
Total Nonspendable	4,834	0	0	0	4,834
Restricted for:					
Food Service	0	0	0	66,789	66,789
Athletics and Music	0	0	0	312,443	312,443
Facilities Maintenance	0	0	0	2,487,073	2,487,073
Scholarships and Awards	0	0	0	179,333	179,333
Parochial Schools	0	0	0	105,663	105,663
Debt Service	0	7,768,414	0	0	7,768,414
Capital Improvements	0	0	61,850,794	10,446,611	72,297,405
Other Purposes	0	0	0	141,595	141,595
Total Restricted	0	7,768,414	61,850,794	13,739,507	83,358,715
Committed to:					
Underground Storage Tanks	11,000	0	0	0	11,000
Capital Improvements	97,778	0	0	0	97,778
Total Committed	108,778	0	0	0	108,778
Assigned for:					
Public School Support	476,648	0	0	0	476,648
Encumbrances:					
Instruction	27,469	0	0	0	27,469
Support Services	114,960	0	0	0	114,960
Extracurricular	1,147	0	0	0	1,147
Subsequent Year Appropriations	5,456,977	0	0	0	5,456,977
Total Assigned	6,077,201	0	0	0	6,077,201
Unassigned	3,446,663	0	0	(41,044)	3,405,619
Total Fund Balance	$ 9,637,476	$ 7,768,414	$61,850,794	$ 13,698,463	$ 92,955,147

At June 30, 2018, the Title III, Title I and Title VI-R funds had a deficit fund balance of $592, $33,734 and $6,718, respectively. The deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in these nonmajor governmental funds and provides transfers when cash is required, not when accruals occur.

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of 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 Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

3. Encumbrances are treated as expenditures (budget) rather than as assigned, committed or restricted fund balance (GAAP).

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

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

Net Change in Fund Balance

GAAP Basis	$	(5,314,230)
Net Adjustment for Revenue Accruals		(232,584)
Net Adjustment for Expenditure Accruals		196,860
Funds Budgeted Elsewhere		(22,520)
Adjustment for Encumbrances		(305,661)
Budget Basis	$	(5,678,135)

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes uniform school supplies, rotary fund-special services, internal services rotary, unclaimed funds, underground storage tanks and public school support funds.

NOTE 5: TRANSFERS

During fiscal year 2018, the general fund transferred $4,800,000 and $107,000 to the permanent improvement and food service funds, respectively.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6: DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those 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 may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker’s acceptance or a repurchase agreement:

1. United States Treasury bills, notes, bonds, or any other obligations or securities issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

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

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

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

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

7. Commercial paper notes, limited to 40 percent (5 percent for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed 270 days; and

8. Bankers' acceptances, limited to 40 percent of the interim monies available for investment at any one time and for a period not to exceed 180 days.

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

Deposits

At June 30, 2018, $123,450 of the School District's deposits in a special trust special revenue fund, $274,342 in the endowment private purpose trust fund and $20,287 in the agency fund are reported as "investments."

Investments

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

		Measurement	Investment Maturities (in years)			% Total
Rating	Investment	Amount	Less than 1	1 - 3	Over 3	Investments
	Net Asset Value:					
AAAm	STAR Ohio	$ 7,877,230	$ 7,877,230	$ 0	$ 0	9.1%
AAAm	First American Treasury Obligation	102,811	102,811	0	0	0.2%
	Fair Value:					
N/A	Negotiable Certificates of Deposit	19,989,683	10,732,491	8,507,872	749,320	23.4%
N/A	Money Market	7,680	7,680	0	0	0.0%
A-1/A-1+	Commercial Paper	27,804,845	27,804,845	0	0	32.4%
A-1+	U.S. Treasury Bill	14,914,838	14,914,838	0	0	17.4%
AA+	Federal Farm Credit	2,008,342	0	0	2,008,342	2.3%
AA+	Federal Home Loan Bank Notes	7,120,859	0	5,463,054	1,657,805	8.3%
AA+	Federal Home Loan Mortgage	3,817,183	0	2,030,760	1,786,423	4.4%
AA+	Federal National Mortgage Association	2,165,330	0	2,165,330	0	2.5%
	Totals	$ 85,808,801	$ 61,439,895	$ 18,167,016	$ 6,201,890	100.0%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2018. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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

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

Credit Risk The School District's investments at June 30, 2018 are rated as shown above by S&P Global Ratings. Federal money markets are exempt from ratings since they are explicitly guaranteed by a U.S. Government Agency. The School District's policy on Credit Risk allows only for those investments as stated within the Ohio Revised Code.

Concentration of Credit Risk The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

NOTE 7: RECEIVABLES

Receivables at June 30, 2018 consisted of accounts, intergovernmental, income taxes, amounts due from external parties, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

NOTE 8: INCOME TAXES

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was renewed on January 1, 2014 and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 9: PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The School District receives property taxes from Sandusky County. The County Auditor 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 of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$ 558,031,760	90.24%	$ 560,299,660	89.20%
Public Utility Personal Property	60,374,240	9.76%	67,837,500	10.80%
	$ 618,406,000	100.00%	$ 628,137,160	100.00%
Tax rate per $1,000 assessed valuation	$ 35.55		$ 39.98	

On May 2, 2017, a new levy was passed for 4.63 mills for the purpose of the School District constructing and renovating school facilities. The levy will be collected throughout the 37 year life of the bonds that the School District issued for the improvements.

NOTE 10: CAPITAL ASSETS

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

	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$ 409,270	$ 0	$ 0	$ 409,270
Construction In Progress	0	763,445	0	763,445
Total Capital Assets, not being depreciated	409,270	763,445	0	1,172,715
Capital Assets, being depreciated:				
Land Improvements	641,571	382,900	0	1,024,471
Buildings	37,654,737	0	0	37,654,737
Equipment	2,484,638	53,586	(22,800)	2,515,424
Vehicles	2,754,708	286,587	0	3,041,295
Total Capital Assets, being depreciated	43,535,654	723,073	(22,800)	44,235,927
Less Accumulated Depreciation:				
Land Improvements	(505,251)	(39,456)	0	(544,707)
Buildings	(9,231,101)	(655,968)	0	(9,887,069)
Equipment	(1,415,704)	(176,488)	20,801	(1,571,391)
Vehicles	(2,444,179)	(132,125)	0	(2,576,304)
Total Accumulated Depreciation	(13,596,235)	(1,004,037)	20,801	(14,579,471)
Total Capital Assets being depreciated, net	29,939,419	(280,964)	(1,999)	29,656,456
Governmental Activities Capital Assets, net	$ 30,348,689	$ 482,481	$ (1,999)	$ 30,829,171

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 398,848
Special	35,853
Vocational	8,756
Support Services:	
Pupil	4,104
Instructional Staff	15,141
Administration	6,163
Operation and Maintenance of Plant	268,223
Pupil Transportation	128,239
Operation of Non-Instructional Services:	
Food Service Operations	63,583
Community Services	2,532
Extracurricular Activities	72,595
Total Depreciation	$ 1,004,037

NOTE 11: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

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

The School District offers medical, prescription drug, and dental insurance to all employees through a partially self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The School District purchased stop loss insurance for claims in excess of $150,000 per individual annually and unlimited per individual, per lifetime.

Settled claims have not exceeded this coverage for the past three years. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2018 were estimated by the third party administrator at $135,938.

The changes in the claims liability for the past two fiscal years are as follow:

	Balance July 1	Current Year Claims	Claim Payments	Balance June 30
2017	$ 331,160	$ 4,364,052	$ 4,398,207	$ 297,005
2018	$ 297,005	$ 4,471,274	$ 4,632,341	$ 135,938

NOTE 12: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced 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 year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

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

The School District's contractually required contribution to SERS was $766,902 for fiscal year 2018. Of this amount, $827 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

The School District's contractually required contribution to STRS was $2,876,555 for fiscal year 2018. Of this amount, $539,857 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.17231160%	0.18406996%	
Prior Measurement Date	0.17455500%	0.17610576%	
Change in Proportionate Share	-0.00224340%	0.00796420%	
Proportionate Share of the Net Pension Liability	$ 10,295,237	$ 43,726,214	$ 54,021,451
Pension Expense	$ (419,468)	$ (16,378,724)	$ (16,798,192)

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

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 443,071	$ 1,688,504	$ 2,131,575
Changes of Assumptions	532,375	9,563,403	10,095,778
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	43,709	2,273,609	2,317,318
School District Contributions Subsequent to the Measurement Date	766,902	2,876,555	3,643,457
Total Deferred Outflows of Resources	$ 1,786,057	$ 16,402,071	$ 18,188,128
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 352,416	$ 352,416
Net Difference between Projected and Actual Earnings on Pension Plan Investments	48,868	1,443,016	1,491,884
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	134,712	488,255	622,967
Total Deferred Inflows of Resources	$ 183,580	$ 2,283,687	$ 2,467,267

$3,643,457 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 363,362	$ 2,472,811	$ 2,836,173
2020	588,122	4,435,812	5,023,934
2021	124,095	3,100,101	3,224,196
2022	(240,004)	1,233,105	993,101
	$ 835,575	$ 11,241,829	$ 12,077,404

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	$ 14,287,114	$ 10,295,237	$ 6,951,227

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	$ 62,680,039	$ 43,726,214	$ 27,760,457

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

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

NOTE 13: <u>DEFINED BENEFIT OPEB PLANS</u>

Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $94,773.

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 $123,177 for fiscal year 2018. Of this amount $94,804 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.17445470%	0.18406996%	
Prior Measurement Date	0.17672088%	0.17610576%	
Change in Proportionate Share	-0.00226618%	0.00796420%	
Proportionate Share of the Net OPEB Liability	$ 4,681,906	$ 7,181,731	$ 11,863,637
OPEB Expense	$ 234,618	$ (2,130,629)	$ (1,896,011)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 414,574	$ 414,574
Changes in Proportionate Share and Differences between School District Contributions and Proportionate Share of Contributions	0	365,080	365,080
School District Contributions Subsequent to the Measurement Date	123,177	0	123,177
Total Deferred Outflows of Resources	$ 123,177	$ 779,654	$ 902,831
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$ 12,364	$ 306,964	$ 319,328
Changes of Assumptions	444,289	578,512	1,022,801
Changes in Proportionate Share and Differences between School District Contributions and Proportionate Share of Contributions	40,034	0	40,034
Total Deferred Inflows of Resources	$ 496,687	$ 885,476	$ 1,382,163

$123,177 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (178,570)	$ (43,217)	$ (221,787)
2020	(178,570)	(43,217)	(221,787)
2021	(136,456)	(43,217)	(179,673)
2022	(3,091)	(43,217)	(46,308)
2023	0	33,524	33,524
Thereafter	0	33,522	33,522
	$ (496,687)	$ (105,822)	$ (602,509)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	$ 5,653,997	$ 4,681,906	$ 3,911,761

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 3,799,016	$ 4,681,906	$ 5,850,426

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 percent to 11.00 percent, initial, 4.50 percent ultimate

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

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

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

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

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

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

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

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

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	$ 9,641,358	$ 7,181,731	$ 5,237,821

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 4,989,559	$ 7,181,731	$ 10,066,886

NOTE 14: OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred sixty days for administrators, supervisors, and classified supervisors; two hundred forty-four days for teachers and school calendar employees; and two hundred sixty days for full-time classified employees. Upon retirement, payment is made for one half of accrued, but unused sick leave credit to a maximum of fifty-three days for teachers and thirty-five to seventy days for classified employees, depending on various incentives and years of service. Payment for administrators, supervisors, and classified supervisors is made for one half up to fifty-three days or more with certain incentives.

Health Care Benefits

The School District provides medical, prescription drug, and dental insurance benefits to all employees through a partially self-insured program.

Special Termination Benefits

The School District offers a special termination benefit to employees in the first year they are eligible to retire from their respective retirement system. The benefit is available to certified employees who have five or more years of consecutive service and retire from STRS and to classified employees who have seventeen or more years of consecutive service and retire from SERS. The bonus, of twenty days calculated at the employee's daily rate at the time of retirement, will be paid after January 1 and before March 31 of the year following retirement for certified employees and within sixty days of retirement acceptance for classified employees. The bonus carries a provision that classified employees must also have accrued in excess of one hundred fifty days of unused sick leave at the time of retirement.

NOTE 15: LONG-TERM OBLIGATIONS

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

	Restated Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2009A School Facilities					
Serial and Term Bonds	$ 520,000	$ 0	$ (255,000)	$ 265,000	$ 265,000
2009B School Facilities					
Serial and Term Bonds	265,000	0	0	265,000	265,000
Capital Appreciation Bonds	173,812	0	(173,812)	0	0
Accretion on Bonds	68,096	18,092	(86,188)	0	0
Unamortized Premium	1,602	0	(1,602)	0	0
2015 Refunding Bonds					
Serial and Term Bonds	7,215,000	0	(80,000)	7,135,000	80,000
Capital Appreciation Bonds	239,935	0	0	239,935	0
Accretion on Bonds	68,904	77,911	0	146,815	0
Unamortized Premium	776,423	0	(65,792)	710,631	0
2016 Refunding Bonds					
Serial and Term Bonds	7,105,000	0	(10,000)	7,095,000	10,000
Unamortized Premium	834,516	0	(72,445)	762,071	0
2017 General Obligation Bonds					
Serial and Term Bonds	0	58,635,000	0	58,635,000	665,000
Unamortized Premium	0	4,922,656	(153,833)	4,768,823	0
Total General Obligation Bonds	17,268,288	63,653,659	(898,672)	80,023,275	1,285,000
Net Pension Liability	71,723,721	0	(17,702,270)	54,021,451	0
Net OPEB Liability	14,455,381	0	(2,591,744)	11,863,637	0
Compensated Absences	3,924,723	621,475	(377,188)	4,169,010	522,523
Total Governmental Activities Long-Term Liabilities	$107,372,113	$ 64,275,134	$ (21,569,874)	$150,077,373	$ 1,807,523

During fiscal year 2009, the School District issued $9,134,991 in general obligation bonds with a maturity date of July 15, 2037. The bonds are a combination of serial, term and capital appreciation bonds. The interest rates vary between 3% and 3.125% for serial bonds, 3.875%-4.75% for term bonds and 19.446% for capital appreciation bonds. The remaining capital appreciation bond matured in fiscal year 2017 with a par value of $250,000. The bonds will be used to finance construction and improvements of school buildings and facilities.

During fiscal year 2009, the School District issued $9,499,877 in general obligation bonds with a maturity date of July 15, 2037. The bonds are a combination of serial, term and capital appreciation bonds. The interest rates vary between 3% and 4.5% for serial bonds, 5% for term bonds and 18.80% for capital appreciation bonds. The capital appreciation bonds mature in fiscal years 2017 and 2018 with par values of $255,000 and $260,000 respectively. The bonds will be used to finance construction and improvements of school buildings and facilities.

The School District refunded the 2009A and 2009B School Facilities bonds discussed above to reduce their total debt service payments and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $638,442 and $714,593, respectively.

On December 1, 2015, the School District issued $7,499,935 in general obligation bonds with interest rates ranging from 1% to 4% for serial and term bonds and 23.81% for capital appreciation bonds to advance refund $7,500,000 of outstanding 2009B School Facilities bonds with an average interest rate of 4.82%. The bond proceeds consisted of bond principal and $909,837 of premium. The net proceeds of $8,451,014 (after payment of $135,270 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of 2009B School Facilities refunded. As a result of this issue, a portion of the 2009B School Facilities bonds are considered to be redeemed and the liability has been removed. The old debt has a final call date of January 15, 2019 in which the debt will be repaid.

On March 15, 2016, the School District issued $7,165,000 in general obligation bonds with interest rates ranging from 2% to 4% for serial and term bonds to advance refund $7,235,000 of outstanding 2009A School Facilities bonds with an average interest rate of 4.57%. The bond proceeds consisted of bond principal and $980,223 of premium. The net proceeds of $8,020,619 (after payment of $124,604 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of 2009A School Facilities refunded. As a result of this issue, a portion of the 2009A School Facilities bonds are considered to be redeemed and the liability has been removed. The old debt has a final call date of January 15, 2019 in which the debt will be repaid.

In July 2017, the School District issued $58,635,000 in serial and term general obligation bonds. The bonds were issued for the purpose of constructing and renovating school facilities. The interest rate of the bonds varies between 2 and 5 percent. The bonds mature in fiscal year 2055. These bonds were issued with a premium of $4,922,656, which is reported as an increase to bonds payable.

General obligation bonds will be repaid from the debt service fund. Compensated absences will be paid primarily from the general fund but also the food service fund and grant funds. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 12 and 13.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2018, were as follows:

Fiscal Year	General Obligation Bonds		Capital Appreciation Bonds		Total	
Ending June 30,	Principal	Interest	Principal	Accretion	Principal	Interest/ Accretion
2019	$ 1,285,000	$ 4,347,961	$ 0	$ 0	$ 1,285,000	$ 4,347,961
2020	965,000	2,895,326	132,526	202,474	1,097,526	3,097,800
2021	985,000	2,843,059	107,409	232,591	1,092,409	3,075,650
2022	1,355,000	3,053,000	0	0	1,355,000	3,053,000
2023	1,400,000	3,004,700	0	0	1,400,000	3,004,700
2024-2028	7,840,000	14,223,275	0	0	7,840,000	14,223,275
2029-2033	9,640,000	12,487,350	0	0	9,640,000	12,487,350
2034-2038	10,835,000	10,211,800	0	0	10,835,000	10,211,800
2039-2043	8,445,000	8,006,250	0	0	8,445,000	8,006,250
2044-2048	10,805,000	5,710,000	0	0	10,805,000	5,710,000
2049-2053	13,585,000	2,938,200	0	0	13,585,000	2,938,200
2054-2055	6,255,000	377,800	0	0	6,255,000	377,800
Total	$ 73,395,000	$ 70,098,721	$ 239,935	$ 435,065	$ 73,634,935	$ 70,533,786

NOTE 16: SET ASIDES

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

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

	Capital Improvement Reserve
Set Aside Restricted Balance June 30, 2017	$ 0
Current Year Set-Aside Requirement	702,864
Current Year Offsets	(817,521)
Total	$ (114,657)
Balance Carried Forward to Fiscal Year 2019	$ 0
Set Aside Balance June 30, 2018	$ 0

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

NOTE 17: JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among local school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. During fiscal year 2018, the School District paid $145,489 to NOECA for various services. Financial information can be obtained from Matthew Bauer, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Center

The Vanguard-Sentinel Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of two representatives from the School District and one representative from the other thirteen participating school districts' elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Vanguard-Sentinel Career Center, Alan Binger, who serves as Treasurer, 1306 Cedar Street, Fremont, Ohio 43420.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 201 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-five northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2018, the School District paid the Council $110,496 for natural gas purchases, $21,200 for life insurance, and $898 for membership fees. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

NOTE 18: 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. However, the effect of any such disallowed claims on the overall financial position of the School District, if applicable, cannot be determined at this time nor does management believe any such disallowed claims will have a material adverse effect on the overall financial position of the School District at June 30, 2018.

Litigation

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

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.

Tax Reassessment

On January 15, 2014 American Municipal Power, Inc (a public utility company) filed a petition for a reassessment of public utility property tax values with the Ohio Department of Taxation for the Return Year 2013. As of the date of the issuance of the financial statements, the results of the petition and potential reassessment are unknown. Sandusky County and the School District have estimated a repayment of taxes in the amount of $620,000 if a successful claim would be awarded in the favor of American Municipal Power, Inc. Also, if the claim is successful, an additional $1.9 million of tax repayments are estimated for the 2014-2016 tax years.

NOTE 19: SIGNIFICANT COMMITMENTS

Encumbrance Commitments

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

Fund	Amount
General Fund	$ 157,409
Classroom Facilities Fund	8,876,496
Nonmajor Governmental Funds	891,010
	$ 9,924,915

Contractual Commitments

The School District had the following significant contractual commitments related to the new high school and turf project as of June 30, 2018:

Vendor	Contract	Expended	Remaining
Then Design	$ 3,724,246	$ 763,445	$ 2,960,801
SSOE Group	4,283,916	0	4,283,916
Maumee Bay Landscape	367,900	0	367,900
Gilbane Building Company	419,891	0	419,891
Heapy Engineering Inc	306,510	0	306,510
Totals	$ 9,102,463	$ 763,445	$ 8,339,018

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

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

	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)					
School District's Proportion of the Net Pension Liability	0.17231160%	0.17455500%	0.17289100%	0.17456000%	0.17456000%
School District's Proportionate Share of the Net Pension Liability	$ 10,295,237	$ 12,775,815	$ 9,865,328	$ 8,834,382	$ 10,380,523
School District's Covered Payroll	$ 5,658,129	$ 5,406,507	$ 5,201,108	$ 5,092,504	$ 4,880,535
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	181.95%	236.30%	189.68%	173.48%	212.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)					
School District's Proportion of the Net Pension Liability	0.18406996%	0.17610576%	0.17900273%	0.17492557%	0.17492557%
School District's Proportionate Share of the Net Pension Liability	$ 43,726,214	$ 58,947,906	$ 49,471,119	$ 42,547,952	$ 50,682,843
School District's Covered Payroll	$ 20,462,450	$ 18,586,571	$ 18,749,086	$ 18,038,231	$ 17,945,700
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	213.69%	317.15%	263.86%	235.88%	282.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

Fremont City School District
Sandusky County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - Pension
Last Six Fiscal Years (1)

	2018	2017
School Employees Retirement System (SERS)		
Contractually Required Contribution	$ 766,902	$ 792,138
Contributions in Relation to the Contractually Required Contribution	(766,902)	(792,138)
Contribution Deficiency (Excess)	$ 0	$ 0
School District's Covered Payroll	$ 5,680,756	$ 5,658,129
Contributions as a Percentage of Covered Payroll	13.50%	14.00%
State Teachers Retirement System (STRS)		
Contractually Required Contribution	$ 2,876,555	$ 2,864,743
Contributions in Relation to the Contractually Required Contribution	(2,876,555)	(2,864,743)
Contribution Deficiency (Excess)	$ 0	$ 0
School District's Covered Payroll	$ 20,546,821	$ 20,462,450
Contributions as a Percentage of Covered Payroll	14.00%	14.00%

(1) Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

2016		2015		2014		2013	
$	756,911	$	685,506	$	705,821	$	675,466
	(756,911)		(685,506)		(705,821)		(675,466)
$	0	$	0	$	0	$	0
$	5,406,507	$	5,201,108	$	5,092,504	$	4,880,535
	14.00%		13.18%		13.86%		13.84%
$	2,602,120	$	2,624,872	$	2,344,970	$	2,332,941
	(2,602,120)		(2,624,872)		(2,344,970)		(2,332,941)
$	0	$	0	$	0	$	0
$	18,586,571	$	18,749,086	$	18,038,231	$	17,945,700
	14.00%		14.00%		13.00%		13.00%

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

	2018	2017
School Employees Retirement System (SERS)		
School District's Proportion of the Net OPEB Liability	0.17445470%	0.17672088%
School District's Proportionate Share of the Net OPEB Liability	$ 4,681,906	$ 5,037,199
School District's Covered Payroll	$ 5,658,129	$ 5,406,507
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.75%	93.17%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System (STRS)		
School District's Proportion of the Net OPEB Liability	0.18406996%	0.17610576%
School District's Proportionate Share of the Net OPEB Liability	$ 7,181,731	$ 9,418,182
School District's Covered Payroll	$ 20,462,450	$ 18,586,571
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.10%	50.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Fremont City School District
Sandusky County, Ohio
Required Supplementary Information
Schedule of School District Contributions - OPEB
Last Six Fiscal Years (2)

	2018	2017
School Employees Retirement System (SERS)		
Contractually Required Contribution (1)	$ 123,177	$ 93,224
Contributions in Relation to the Contractually Required Contribution	(123,177)	(93,224)
Contribution Deficiency (Excess)	$ 0	$ 0
School District's Covered Payroll	$ 5,680,756	$ 5,658,129
OPEB Contributions as a Percentage of Covered Payroll (1)	2.17%	1.65%
State Teachers Retirement System (STRS)		
Contractually Required Contribution	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0
Contribution Deficiency (Excess)	$ 0	$ 0
School District's Covered Payroll	$ 20,546,821	$ 20,462,450
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%

(1) Includes surcharge
(2) Information prior to 2013 is not readily available.

See accompanying notes to the required supplementary information.

2016	2015	2014	2013
$ 88,686	$ 134,275	$ 95,198	$ 91,945
(88,686)	(134,275)	(95,198)	(91,945)
$ 0	$ 0	$ 0	$ 0
$ 5,406,507	$ 5,201,108	$ 5,092,504	$ 4,880,535
1.64%	2.58%	1.87%	1.88%
$ 0	$ 0	$ 180,382	$ 179,457
0	0	(180,382)	(179,457)
$ 0	$ 0	$ 0	$ 0
$ 18,586,571	$ 18,749,086	$ 18,038,231	$ 17,945,700
0.00%	0.00%	1.00%	1.00%

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

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

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disable member was updated to the following:
    - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Benefit Terms - SERS

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

Changes in Assumptions – STRS

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

Changes in Benefit Terms - STRS

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

Note 2 - Net OPEB Liability

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

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

Rea & associates a brighter way

December 21, 2018

The Board of Education
Fremont City School District
500 West State Street Suite A
Fremont, OH 43420

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*

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 Fremont City School District, Sandusky County, Ohio (the "School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 21, 2018, in which we noted the School District restated net position balance to account for the implementation of 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 School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

CPAs and business consultants
www.reacpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

December 21, 2018

The Board of Education
Fremont City School District
500 West State Street Suite A
Fremont, OH 43420

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited the Fremont City School District's, Sandusky County, Ohio (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of 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 each of the School District's major federal programs 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 applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 School 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 each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the School 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 School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-001, that we consider to be a significant deficiency.

The School District's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

Rea & Associates, Inc.

Medina, Ohio

Fremont City School District
Sandusky County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Program Year	Federal Disbursements	Passed Through to Subrecipients
U. S. Department of Education (Passed Through Ohio Department of Education):				
Title I-A Improving Basic Programs	84.010	2017	$ 147,533	$ 0
Title I-D Delinquent	84.010	2017	15,066	$ 0
Title I-A Improving Basic Programs	84.010	2018	916,843	0
Title I-D Delinquent	84.010	2018	67,904	0
Total Title I-A Improving Basic Programs			1,147,346	0
Title I-C Migrant	84.011	2017	93,196	0
Title I-C Migrant	84.011	2018	67,234	0
Total Title I-C Migrant			160,430	0
Special Education Cluster:				
IDEA-B Special Education	84.027	2017	53,676	0
IDEA-B Special Education	84.027	2018	983,787	0
Total IDEA-B Special Education			1,037,463	0
IDEA Preschool Grant	84.173	2018	24,879	0
Total Special Education Cluster			1,062,342	0
21st Century Learning	84.287	2018	115,033	0
Title VI-B Rural and Low-Income	84.358	2017	180	0
Title VI-B Rural and Low-Income	84.358	2018	26,521	0
Total Title VI-B Rural and Low-Income			26,701	0
Title III LEP	84.365	2017	6,945	0
Title III LEP	84.365	2018	16,647	0
Total Title III LEP			23,592	0
Title II-A - Supporting Effective Instruction	84.367	2017	39,723	0
Title II-A - Supporting Effective Instruction	84.367	2018	137,089	0
Total Title II-A - Supporting Effective Instruction			176,812	0
Title IV-A Student Support and Academic Enrichment	84.424	2018	2,046	0
Total U.S. Department of Education			2,714,302	0
U. S. Department of Agriculture (Passed Through Ohio Department of Education):				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Breakfast Program	10.553	2018	25,122	0
National School Lunch Program	10.555	2018	118,706	0
Cash Assistance:				
School Breakfast Program	10.553	2018	225,666	0
National School Lunch Program	10.555	2018	1,066,323	0
Summer Food Service Program	10.559	2018	11,738	0
Total Child Nutrition Cluster			1,447,555	0
Child and Adult Care Food Program	10.558	2018	3,525	0
Total U.S. Department of Agriculture			1,451,080	0
Total Federal Assistance			$ 4,165,382	$ 0

See accompanying notes to this schedule

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

Fremont City School District
Sandusky County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 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 control 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)?	None reported
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material control 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?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d) (1) (vii)	Major Programs (list): Special Education Cluster	CFDA # 84.027/84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > $750,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number: 2018-001 – Significant Deficiency – Allowable Costs/Cost Principles

Federal Programs: Special Education Cluster
CFDA Numbers: 84.027/84.173
Federal Award Number/Year: 2017/2018
Federal Agency: U.S. Department of Education
Pass-Through Entity: Ohio Department of Education (ODE)

Criteria: For an employee who works on multiple activities or cost objectives (e.g., in part on a Federal program whose funds have not been consolidated in a consolidated schoolwide pool and in part on Federal programs supported with funds consolidated in a schoolwide pool or on activities that are not part of the same cost objective), an Local Educational Agency (LEA) must maintain time and effort distribution records in accordance with 2 CFR section 200.430(i)(1)(vii) that support the portion of time and effort dedicated to: (i)The Federal program or cost objective; and (ii) Each other program or cost objective supported by consolidated Federal funds or other revenue sources.

Condition: During our testing we noted 2 out of 40 employee pays selected for testing had salary costs recorded Special Education Cluster with unapproved time and effort documentation. Time and effort documentation supported the costs charged to the grant, however approval by a direct supervisor is a key internal control over compliance.

Cause: The School District did not implement policies and procedures to ensure complete and accurate standards for documentation of personnel expenses.

Effect: The result of this is an increased risk of non-compliance related to allowable costs and cost principles.

Recommendation: We recommend the School District establish procedures to ensure documentation of personnel expenses is approved by a direct supervisor.

Management's Response: See corrective action plan.

Jon C. Detwiler
Superintendent

Jeff Dornbusch
Treasurer

Fremont City School District
Sandusky County, Ohio
Corrective Action Plan
2 CFR €200.511©
June 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Together with the Curriculum Department, the Treasurer's Office will aid in producing appropriate time-and-effort documentation for all employees paid from multiple cost objectives and ensure those time-and-effort documentations are approved by a supervisor	Will be effective with the January 2019 payroll.	Jeff Dornbusch Denice Hirt

OHIO AUDITOR OF STATE
KEITH FABER

FREMONT CITY SCHOOL DISTRICT

SANDUSKY 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 12, 2019