LORAIN CITY SCHOOL DISTRICT
LORAIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

LORAIN CITY SCHOOL DISTRICT
LORAIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Lorain City School District
Lorain County
2601 Pole Avenue
Lorain, Ohio 44052

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

March 27, 2019

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position increased $39.8 million over 2017, mainly due to a substantial decrease in the net pension and OPEB liabilities. This decrease in liabilities also decreased nearly all instructional and support services expenses compared to fiscal year 2017. See further explanation after Table 1.

- Total disposals and depreciation exceeded acquisitions accounting for a decrease in capital assets of $3.5 million from fiscal year 2017.

- The School District refunded $6.2 million in general obligation bonds and made principal payments of $2.0 million for bonds payable, $0.6 million for notes payable and $0.4 million for capital leases. Outstanding long term debt obligations decreased from $32.4 million to $28.9 million in fiscal year 2018.

- The School District implemented GASB 75, which reduced beginning net position as previously reported by $30.0 million.

- The School District previously reported the Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (The Trust) as a blended component unit. The Trust was dissolved on December 31, 2017.

- The School District previously reported the Lorain K-12 Digital Academy as a component unit. The School District ended its sponsorship at the end of fiscal year 2017.

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 Lorain City 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 Lorain City School District, the general, debt service and classroom facilities funds are the most significant 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 funds financial statements begin on page 18. 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, debt service fund and classroom facilities 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 Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance and workers' compensation benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 24.

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 agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 27 and 28. 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. Because of the discussion 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 of resources and the net pension liability and subtracting deferred outflows of resources related to pension to the reported net position. Table 1 provides a summary of the School District's net position for 2018 compared to 2017:

Table 1
Net Position

	Governmental Activities	
	2018	Restated 2017
Assets		
Current and Other Assets	$ 71,904,448	$ 75,114,409
Capital Assets	175,772,131	179,321,750
Total Assets	247,676,579	254,436,159
Deferred Outflows of Resources		
Deferred Charges on Refunding	358,122	661,103
Pension & OPEB	37,137,201	29,296,589
Deferred Outflows of Resources	37,495,323	29,957,692
Liabilities		
Other Liabilities	14,007,169	12,794,448
Long-Term Liabilities:		
Due Within One Year	9,419,759	9,118,316
Due in More Than One Year		
Penions & OPEB	133,050,342	173,801,697
Other Amounts	26,013,997	28,820,566
Total Liabilities	182,491,267	224,535,027

(continued)

	Governmental Activities	
	2018	Restated 2017
Deferred Inflows of Resources		
Property Taxes	18,526,370	20,723,472
Pension & OPEB	8,512,677	3,327,901
Total Deferred Inflows of Resources	27,039,047	24,051,373
Net Position		
Net Investment in Capital Assets	148,080,491	149,534,100
Restricted	17,605,179	18,330,430
Unrestricted	(90,044,082)	(132,057,079)
Total Net Position	$ 75,641,588	$ 35,807,451

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 $65.8 million to $35.8 million.

At year end, capital assets represented 71 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets was $148.1 million 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, $17.6 million represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit balance of $90.0 million, which is primarily caused by GASB 68 and GASB 75.

Total assets decreased $6.8 million from fiscal year 2017. Intergovernmental receivables decreased $1.1 million partially due a decrease in the amount remaining on the school facilities grant. The $4.5 million decrease in prepaid related to the Trust which was dissolved in December 2017.

Accounts payable showed an increase of $1.6 million over fiscal year 2017, partially due to technology purchases and transportation costs due at year end. Fiscal year 2018 had an additional pay period accounting for most of the $1.7 million increase in accrued wages while intergovernmental payables decreased $0.7 million due, in part, to the adjustment for full time equivalents which reconciles the foundation funds received by the School District to the allocation calculated at year end. Notes payable decreased $0.6 million due principal payments made during the year and the decrease in claims payable is due to the dissolution of the Trust.

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.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program Revenues:		
Charges for Services	$ 1,505,057	$ 1,216,577
Operating Grants	25,701,084	24,913,786
Total Program Revenues	27,206,141	26,130,363
General Revenues:		
Property Taxes	24,543,859	21,596,818
Grants and Entitlements Not Restricted	82,131,877	80,578,015
Other	697,558	431,799
Total General Revenues	107,373,294	102,606,632
Total Revenues	134,579,435	128,736,995
Program Expenses		
Instruction:		
Regular	19,552,093	37,699,067
Special	10,455,118	17,994,761
Vocational	1,325,489	2,679,588
Other	27,588,291	27,639,555

(continued)

	Governmental Activities	
	2018	2017
Support Services:		
Pupils	1,918,365	3,762,613
Instructional Staff	3,346,131	5,464,822
Board of Education	444,800	804,536
Administration	4,684,649	8,482,515
Fiscal	1,902,765	1,970,856
Business	559,383	588,025
Operation and Maintenance of Plant	11,602,947	11,922,404
Pupil Transportation	3,076,968	2,944,306
Central	1,395,672	1,542,414
Operation of Non-Instructional Services:		
Food Service Operations	4,820,672	4,718,767
Community Services	403,405	1,050,272
Extracurricular Activities	881,571	1,861,048
Interest and Fiscal Charges	786,979	1,089,862
Total Expenses	94,745,298	132,215,411
Increase (Decrease) in Net Position	$ 39,834,137	$ (3,478,416)

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 $240,533 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 $3,305,031. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	$ 94,745,298
Negative OPEB Expense under GASB 75	3,305,031
2018 Contractually Required Contribution	269,960
Adjusted 2018 Program Expenses	98,320,289
Total 2017 Program Expenses under GASB 45	132,215,411
Decrease in Program Expenses not Related to OPEB	$ (33,895,122)

Property taxes increased $2.9 million over fiscal year 2017 mainly due to an increase in the taxes available for advance at year end. Increases in tuition and interest revenue over the prior year contributed to the increases in charges for services and miscellaneous revenue.

See financial highlights for explanation of fluctuations in expenses.

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

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	Total Cost of Service		Net Cost of Service	
	2018	2017	2018	2017
Instruction:				
Regular	$ 19,552,093	$ 37,699,067	$ 15,824,818	$ 33,722,419
Special	10,455,118	17,994,761	(2,102,922)	6,325,395
Vocational	1,325,489	2,679,588	420,054	2,057,309
Other	27,588,291	27,639,555	27,470,744	27,480,582
Support Services:				
Pupils	1,918,365	3,762,613	1,704,624	3,323,075
Instructional Staff	3,346,131	5,464,822	1,194,467	3,140,060
Board of Education	444,800	804,536	444,800	804,536
Administration	4,684,649	8,482,515	4,030,052	7,951,582
Fiscal	1,902,765	1,970,856	1,445,774	1,570,947
Business	559,383	588,025	552,255	581,822
Operation and Maintenance of Plant	11,602,947	11,922,404	11,525,699	11,868,658
Pupil Transportation	3,076,968	2,944,306	2,624,972	2,509,191
Central	1,395,672	1,542,414	1,395,672	1,542,414
Operation of Non-Instructional Services:				
Food Service Operations	4,820,672	4,718,767	(95,349)	183,397
Community Services	403,405	1,050,272	(414,475)	186,108
Extracurricular Activities	881,571	1,861,048	730,993	1,747,691
Interest and Fiscal Charges	786,979	1,089,862	786,979	1,089,862
Total Expenses	$ 94,745,298	$ 132,215,411	$ 67,539,157	$ 106,085,048

The dependence upon general revenues for governmental activities is apparent. Over 88 percent of governmental activities are supported through taxes and other general revenues; such revenues are 80 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

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

Governmental Funds

Information about the School District's major funds starts on page 18. 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 $2.9 million for all governmental funds. The most significant change was an increase in the general fund.

The general fund's net change in fund balance for fiscal year 2018 was an increase of $3.9 million. Revenues increased $5.8 million over fiscal year 2017. Property taxes increased $2.4 million due to an increase in taxes available for advance at year end in addition to an increase in State foundation revenue. Expenditures increased $4.9 million over fiscal year 2017. Pay and step increases contributed to increases in regular and administrative expenditures. Capital outlay decreased $2.0 million from fiscal year 2017 due to the completion of the administration building construction.

The fund balance of the debt service fund increased by $0.4 million. This is primarily caused by the timing of property tax collections versus the due dates for debt service.

The fund balance of the classroom facilities fund decreased $0.4 million from fiscal year 2017. The decrease is due to the timing of capital expenditures as compared to the collection of grant and investment earnings.

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, actual budget basis revenue and other financing sources was $0.9 million higher than the final budget basis revenue and other financing sources of $114.6 million. Final budget basis revenue and other financing sources was $2.9 million more than original budget estimates of $111.7 million. Intergovernmental revenue accounts for most of these differences.

Final appropriations and other financing uses equaled actual expenditures and other financing uses of $114.8 million.

Original appropriations and other financing uses of $117.5 million were $2.8 million more than final appropriations and other financing uses. The School District reduced appropriations during the year to reflect changes in spending needs.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $175.8 million invested in capital assets, net of depreciation. 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	$ 9,644,552	$ 9,547,170
Land Improvements	374,664	277,237
Buildings and Improvements	163,781,153	167,168,970
Furniture and Equipment	1,818,780	2,192,312
Vehicles	152,982	136,061
Totals	$ 175,772,131	$ 179,321,750

The $3.5 million decrease in capital assets was attributable to depreciation and disposals exceeding acquisitions. See Note 8 for more information about the capital assets of the School District.

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Debt

At June 30, 2018, the School District had $28.1 million in general obligation bonds and $0.9 million in a capital lease outstanding. Table 5 summarizes outstanding debt.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2018	2017
2005 Qualified Zone Academy Bonds	$ 5,400,000	$ 5,400,000
2006 Classroom Facilities Refunding Bonds	0	3,720,000
Premium on Debt Issuance	0	121,581
2007 School Improvement Refunding Bonds	3,225,000	7,620,000
Premium on Debt Issuance	242,802	479,217
2012 Classroom Facilities Refunding Bonds	9,335,000	9,335,000
Premium on Debt Issuance	356,965	407,960
2015 Classroom Facilities Refunding Bonds	3,315,000	3,360,000
Capital Appreciation Bonds	4,995	4,995
Accretion on CABs	12,172	6,468
2018 Classroom Facilities Refunding Bonds	6,170,000	0
Tax Anticipation Notes	0	625,238
Capital Lease	862,945	1,282,807
Total	$ 28,924,879	$ 32,363,266

In 2005, the School District issued $5.4 million in Qualified Zone Academy Bonds for purchase of computer equipment. In December 2006 the School District issued $4.2 million in refunding bonds which were refunded in March 2018. In March 2007 the School District issued refunding bonds for $9.0 million and in June 2012 the School District issued $9.3 million in refunding bonds. The proceeds were used to refund a portion of the 2003 Classroom Facilities Bonds. In 2012, the School District issued a tax anticipation note in the amount of $3.1 million which were paid in December 2017. In 2015, the School District issued $3.5 million in refunding bonds, the proceeds of which were used to refund the remaining 2003 Classroom Facilities Bonds. In 2018, the School District issued $6.2 million in refunding bonds, the proceeds of which were used to refund the 2006 refunding bonds and refund a portion of the 2007 refunding bonds. In 2015 the School District entered into a capital lease to purchase technology. More information about the long-term obligations is in Notes 13, 14 and 15 of the basic financial statements.

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 Treasurer/CFO of Lorain City Schools; 2601 Pole Avenue; Lorain, Ohio 44052.

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

		Governmental Activities
Assets		
Equity in Pooled Cash and Investments	$	33,361,582
Cash and Cash Equivalents in Segregated Accounts		3,827,834
Cash and Cash Equivalents with Fiscal Agent		5,395,348
Receivables:		
Accounts		41,863
Intergovernmental		4,469,078
Property Taxes		24,808,743
Nondepreciable Capital Assets		9,644,552
Depreciable Capital Assets (Net)		166,127,579
Total Assets		247,676,579
Deferred Outflows of Resources		
Deferred Charges on Refunding		358,122
Pension		35,440,725
OPEB		1,696,476
Total Deferred Outflows of Resources		37,495,323
Liabilities		
Accounts Payable		3,202,854
Accrued Wages and Benefits		8,478,839
Contracts Payable		158,237
Intergovernmental Payable		2,167,239
Long Term Liabilities:		
Due Within One Year		9,419,759
Due In More Than One Year:		
Net Pension Liability		107,779,874
Net OPEB Liability		25,270,468
Other Amonts Due in More Than One Year		26,013,997
Total Liabilities		182,491,267
Deferred Inflows of Resources		
Property Taxes Levied for the Next Fiscal Year		18,526,370
Pension		5,701,701
OPEB		2,810,976
Total Deferred Inflows of Resources		27,039,047
Net Position		
Net Investment in Capital Assets		148,080,491
Restricted For:		
Capital Outlay		9,024,236
Debt Service		2,807,761
Classroom Facilities Maintenance		2,296,581
Academic Assistance		261,829
Other Purposes		3,214,772
Unrestricted		(90,044,082)
Total Net Position	$	75,641,588

See accompanying notes to the basic financial statements.

Lorain City School District
Lorain 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	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$ 19,552,093	$ 853,436	$ 2,873,839	$ (15,824,818)
Special	10,455,118	127,199	12,430,841	2,102,922
Vocational	1,325,489	10,905	894,530	(420,054)
Other	27,588,291	0	117,547	(27,470,744)
Support Services:				
Pupils	1,918,365	0	213,741	(1,704,624)
Instructional Staff	3,346,131	0	2,151,664	(1,194,467)
Board of Education	444,800	0	0	(444,800)
Administration	4,684,649	67,760	586,837	(4,030,052)
Fiscal	1,902,765	91,056	365,935	(1,445,774)
Business	559,383	7,128	0	(552,255)
Operation and Maintenance of Plant	11,602,947	0	77,248	(11,525,699)
Pupil Transportation	3,076,968	0	451,996	(2,624,972)
Central	1,395,672	0	0	(1,395,672)
Operation of Non-Instructional Services:				
Food Service Operations	4,820,672	202,826	4,713,195	95,349
Community Services	403,405	0	817,880	414,475
Extracurricular Activities	881,571	144,747	5,831	(730,993)
Debt Service:				
Interest and Fiscal Charges	786,979	0	0	(786,979)
Totals	$ 94,745,298	$ 1,505,057	$ 25,701,084	(67,539,157)

General Revenues	
Property Taxes Levied for:	
General Purposes	21,286,802
Debt Service	2,993,807
Classroom Facilities Maintenance	263,250
Grants and Entitlements Not Restricted to Specific Programs	82,131,877
Investment Earnings	590,073
Miscellaneous	107,485
Total General Revenues	107,373,294
Change in Net Position	39,834,137
Net Position Beginning of Year, Restated (See Note 2)	35,807,451
Net Position End of Year	$ 75,641,588

See accompanying notes to the basic financial statements.

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

	General Fund	Debt Service Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	$ 21,277,141	$ 2,017,164	$ 3,035,637	$ 6,215,569	$ 32,545,511
Cash and Cash Equivalents in Segregated Accounts	0	0	3,672,713	0	3,672,713
Cash and Cash Equivalents with Fiscal Agent	5,395,348	0	0	0	5,395,348
Receivables:					
Interfund	465,773	0	0	0	465,773
Intergovernmental	83,250	0	1,448,744	2,337,663	3,869,657
Property Taxes	21,564,296	2,983,042	0	261,405	24,808,743
Total Assets	$ 48,785,808	$ 5,000,206	$ 8,157,094	$ 8,814,637	$ 70,757,745
Liabilities					
Accounts Payable	$ 2,413,157	$ 0	$ 0	$ 296,132	$ 2,709,289
Accrued Wages and Benefits	7,533,832	0	0	945,007	8,478,839
Contracts Payable	0	0	0	158,237	158,237
Intergovernmental Payable	1,990,815	0	0	176,424	2,167,239
Interfund Payable	0	0	0	448,903	448,903
Total Liabilities	11,937,804	0	0	2,024,703	13,962,507
Deferred Inflows of Resources					
Property Taxes Levied for the Next Fiscal Year	16,142,006	2,192,445	0	191,919	18,526,370
Delinquent Property Taxes	1,643,211	227,309	0	19,919	1,890,439
Other	6,894	0	1,448,744	1,741,604	3,197,242
Total Deferred Inflows of Resources	17,792,111	2,419,754	1,448,744	1,953,442	23,614,051
Fund Balances					
Nonspendable	57,038	0	0	0	57,038
Restricted	5,395,348	2,580,452	6,708,350	5,509,549	20,193,699
Assigned	6,337,493	0	0	0	6,337,493
Unassigned	7,266,014	0	0	(673,057)	6,592,957
Total Fund Balances	19,055,893	2,580,452	6,708,350	4,836,492	33,181,187
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 48,785,808	$ 5,000,206	$ 8,157,094	$ 8,814,637	$ 70,757,745

See accompanying notes to the basic financial statements.

Lorain City School District
Lorain County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
For the Fiscal Year Ended June 30, 2018

Total Governmental Fund Balances		$ 33,181,187
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.		175,772,131
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	$ 1,890,439	
Intergovernmental	3,197,242	5,087,681
An internal service fund is used by management to charge the costs of insurance and workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,102,041
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		358,122
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	35,440,725	
Deferred Outflows - OPEB	1,696,476	
Net Pension Liability	(107,779,874)	
Net OPEB Liability	(25,270,468)	
Deferred Inflows - Pension	(5,701,701)	
Deferred Inflows - OPEB	(2,810,976)	(104,425,818)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(22,045,000)	
QZAB Bonds	(5,400,000)	
Capital Appreciation Bonds	(4,995)	
Bond Premium	(599,767)	
Accretion of Interest - Capital Appreciation Bonds	(12,172)	
Capital Leases	(862,945)	
Compensated Absences	(6,508,877)	(35,433,756)
Net Position of Governmental Activities		$ 75,641,588

See accompanying notes to the basic financial statements.

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

	General Fund	Debt Service Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Local Taxes	$ 21,394,930	$ 3,007,431	$ 0	$ 264,583	$ 24,666,944
Intergovernmental	93,553,938	436,907	0	13,117,726	107,108,571
Investment Income	529,538	0	60,535	40,120	630,193
Tuition and Fees	973,740	0	0	0	973,740
Extracurricular Activities	83,554	0	0	144,747	228,301
Rentals	91,056	0	0	0	91,056
Charges for Services	2,238	0	0	202,826	205,064
Contributions and Donations	2,031	0	0	372,542	374,573
Miscellaneous	104,095	0	0	14,865	118,960
Total Revenues	116,735,120	3,444,338	60,535	14,157,409	134,397,402
Expenditures:					
Current:					
Instruction:					
Regular	34,240,078	0	0	3,078,435	37,318,513
Special	15,203,741	0	0	1,901,268	17,105,009
Vocational	1,706,382	0	0	89,574	1,795,956
Other	27,845,158	0	0	119,811	27,964,969
Support Services:					
Pupils	3,806,063	0	0	275,138	4,081,201
Instructional Staff	2,627,347	0	0	2,138,683	4,766,030
Board of Education	421,293	0	0	0	421,293
Administration	8,749,355	0	0	330,819	9,080,174
Fiscal	1,525,587	73,117	0	392,161	1,990,865
Business	533,774	0	0	0	533,774
Operation and Maintenance of Plant	9,744,697	0	0	4,323	9,749,020
Pupil Transportation	3,076,370	0	0	26,611	3,102,981
Central	1,391,705	0	0	0	1,391,705
Extracurricular Activities	347,011	0	0	940,511	1,287,522
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	4,497,306	4,497,306
Community Services	4,000	0	0	791,462	795,462
Capital Outlay	40,638	0	442,749	1,410,148	1,893,535
Debt Service:					
Principal Retirement	419,862	1,990,000	0	0	2,409,862
Interest and Fiscal Charges	26,588	855,132	0	0	881,720
Total Expenditures	111,709,649	2,918,249	442,749	15,996,250	131,066,897
Excess of Revenues Over (Under) Expenditures	5,025,471	526,089	(382,214)	(1,838,841)	3,330,505
Other Financing Sources (Uses):					
Proceeds from Sale of Assets	99,703	0	0	0	99,703
Refunding Bonds Issued	0	6,170,000	0	0	6,170,000
Payment to Refunded Bond Escrow Agent	0	(6,258,592)	0	0	(6,258,592)
Transfers In	0	0	0	827,949	827,949
Transfers Out	(1,251,537)	0	0	0	(1,251,537)
Total Other Financing Sources (Uses)	(1,151,834)	(88,592)	0	827,949	(412,477)
Net Change in Fund Balance	3,873,637	437,497	(382,214)	(1,010,892)	2,918,028
Fund Balances Beginning of Year	15,182,256	2,142,955	7,090,564	5,847,384	30,263,159
Fund Balances End of Year	$ 19,055,893	$ 2,580,452	$ 6,708,350	$ 4,836,492	$ 33,181,187

See accompanying notes to the basic financial statements.

Lorain City School District
Lorain 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		$ 2,918,028
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	$ 900,247	
Current Year Depreciation	(4,214,797)	(3,314,550)
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.		
Disposals		(235,069)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(123,085)	
Intergovernmental	(229,577)	(352,662)
Governmental funds have reported expenditures for monthly premium payments to the Jointly Administered Trust Fund through January 1, 2018. Since the Trust is reported as an Internal Service Fund as of December 31, 2017, and subsequently consolidated at the entity-wide level, these payments have been recorded as prepaid expenses on the entity-wide statements. For the current year, the statement of activities reported a net change in prepaid expenses related to these premiums.		(4,423,174)
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	1,990,000	
Capital Leases	419,862	
Payment to Refunded Bond Escrow Agent	6,170,000	8,579,862
Debt proceeds issued in the governmental funds that increase long-term obligations in the statement of net position are not reported as revenues.		
Proceeds of Refunding Bonds		(6,170,000)
Amortization of gain/loss on refundings on the bonds are not reported in the fund but but are allocated as an expense over the life of the debt in the statement of activities.		(302,981)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	7,606,332	
OPEB	269,960	7,876,292
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension and OPEB expense in the statement of activities.		
Pension	32,225,868	
OPEB	3,305,031	35,530,899

(continued)

See accompanying notes to the basic financial statements.

In the statement of activities, interest is accrued on outstanding bonds and bond premiums are amortized over the term of the bonds, whereas in governmental funds, and interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	$ 83,027	
Amortization of Premium on Bonds	408,991	492,018
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.		(450,799)
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		(308,023)
Accretion on capital appreciation bonds is an expenditure in the governmental funds when paid but is allocated as an expense over the life of the bonds in the statement of activities.		(5,704)
Change in Net Position of Governmental Activities		$ 39,834,137

See accompanying notes to the basic financial statements.

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

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues and Other Financing Sources	$ 111,687,274	$ 114,596,285	$ 115,457,794	$ 861,509
Expenditures and Other Financing Uses	117,529,802	114,753,992	114,753,992	0
Net Change in Fund Balance	(5,842,528)	(157,707)	703,802	861,509
Fund Balance Beginning of Year	14,430,395	14,430,395	14,430,395	0
Prior Year Encumbrances Appropriated	1,979,708	1,979,708	1,979,708	0
Fund Balance End of Year	$ 10,567,575	$ 16,252,396	$ 17,113,905	$ 861,509

See accompanying notes to the basic financial statements.

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

	Governmental Activities - Internal Service Fund
Assets	
Current Assets	
Equity in Pooled Cash and Investments	$ 816,071
Investments in Segregated Accounts	155,121
Accounts Receivable	41,863
Intergovernmental Receivable	599,421
Total Assets	1,612,476
Liabilities	
Current Liabilities	
Accounts Payable	493,565
Interfund Payable	16,870
Total Liabilities	510,435
Net Position	
Unrestricted	1,102,041
Total Net Position	$ 1,102,041

See accompanying notes to the basic financial statements.

Lorain City School District
Lorain 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 Revenue	
Charges for Services	$ 10,861,324
Other	758,057
Total Operating Revenues	11,619,381
Operating Expenses	
Fringe Benefits	1,738,755
Purchased Services	1,291,131
Claims	9,760,816
Total Operating Expenses	12,790,702
Operating Income (Loss)	(1,171,321)
Non-Operating Revenues	
Investment Interest	353
Other Non-Operating Revenues	296,581
Total Non-Operating Revenues (Expenses)	296,934
Income (Loss) Before Transfers	(874,387)
Transfers In	423,588
Change in Net Position	(450,799)
Net Position Beginning of Year	1,552,840
Net Position End of Year	$ 1,102,041

See accompanying notes to the basic financial statements.

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

		Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities		
Cash Received from Interfund Services	$	10,220,040
Other Cash Receipts		758,057
Cash Paid for Goods and Services		(2,675,272)
Cash Paid for Claims		(10,619,816)
Net Cash Provided By (Used For) Operating Activities		(2,316,991)
Cash Flows From Non-Capital Financing Activities		
Transfers from Other Funds		423,588
Interfund from Other Funds		16,870
Other Financing Sources		296,581
Net Cash Provided By (Used For) Non-Capital Activities		737,039
Cash Flows From Investing Activities		
Investment Interest		353
Net Increase (Decrease) in Cash and Investments		(1,579,599)
Cash and Investments Beginning of Year		2,550,791
Cash and Investments End of Year	$	971,192
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities		
Operating Income (Loss)	$	(1,171,321)
(Increase) Decrease Assets:		
Accounts Receivable		(41,863)
Intergovernmental Receivable		(599,421)
Prepaid Items		102,730
Increase (Decrease) in Liabilities:		
Accounts Payable		251,884
Claims Payable		(859,000)
Total Adjustments		(1,145,670)
Net Cash Provided By (Used For) Operating Activities	$	(2,316,991)

See accompanying notes to the basic financial statements.

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

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	$ 100,448	$ 53,951
Liabilities		
Undistributed Monies	0	$ 8,149
Due to Students	0	45,802
Total Liabilities	0	$ 53,951
Net Position		
Held in Trust for Scholarships	$ 100,448	

See accompanying notes to the basic financial statements.

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

	Private Purpose Trust
Additions	
Gifts and Contributions	$ 71,681
Investment Earnings	699
Miscellaneous	3,011
Total Additions	75,391
Deductions	
Payments in Accordance with Trust Agreements	96,175
Change in Net Position	(20,784)
Net Position Beginning of Year	121,232
Net Position End of Year	$ 100,448

See accompanying notes to the basic financial statements.

Note 1 - Description of the School District

The Lorain City School District (the School District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the School District.

Reporting Entity

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

Within the School District boundaries, there are various nonpublic schools. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed by the School District on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and, 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided 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.

Blended component units, although legally separate entities are, in substance, part of the School District's operations and so data from these units are combined with data of the School District. The School District's blended component unit is described below:

> *Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (the Trust)*-
>
> The Trust was established in 1994 to provide health care benefits to the employees of the Lorain City School District. The Trust is directed by a twelve member Board of Trustees, eight members appointed by the School District's Superintendent and four members appointed by the Lorain Education Association. Although the Trust is legally separate from the School District, it should be reported as if it were part of the primary government because its sole purpose is to provide benefits to School District employees for hospitalization, medical, dental, vision and prescription drugs as provided for in the collective bargaining agreement. The Trust was dissolved on December 31, 2017 (See Note 25).

Financial information for the Trust's year ended December 31, 2017 is presented in these financial statements as an Internal Service Fund. Complete financial statements for the Trust may be obtained by contacting the Plan Administrator at 10045 College Park, Concord, Ohio 44060.

Discretely presented component units are legally separate entities which have a governing board appointed by the School District. The School District terminated its arrangement with Lorain K-12 Digital Academy effective July 1, 2017, which was previously presented as a component unit of the School District.

The following entities, which perform activities within the School District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the School District is not financially accountable for the entities nor are they fiscally dependent on the School District.

META Solutions – The Lorain City School District participates in the Metropolitan Educational Technology Association (META). META provides data services needed by the participating school districts. This is a jointly governed organization. The School District's participation is disclosed in Note 19 of the financial statements.

Ohio Schools Council – The Ohio Schools Council promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The School District's participation is disclosed in Note 19 to the financial statements.

Lake Erie Regional County of Governments – The Lorain City School District participates in Lake Erie Regional Council of Governments (LERC) health benefits program. This is a public entity risk pool. The School District's participation is disclosed in Note 20 to the financial statements.

Lorain Public Library – The library is a distinct political subdivision of the State of Ohio governed by a board of trustees. Although the Board of Education appoints new members to the board of trustees, the appointment is based upon the recommendation of the board of trustees. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. The School District does serve as the taxing authority for the library which is not considered part of the School District and its operations are not included within the accompanying financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Following are the most significant of the School District's accounting policies.

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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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, which include certain indirect expenses charged to individual federal programs, and program revenues for each program or function of the School District's governmental activities of the School District. 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 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 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. There are three categories of funds: 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 following are the School District's major governmental funds:

> ***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.
>
> ***Debt Service Fund*** The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, principal and interest obligations relative to the School District's general obligation bonds.

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 Department of Education 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 Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the School District's proprietary fund type:

Internal Service Funds Internal service funds account 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 only internal service fund accounts for a self-insurance program for employee health insurance and workers' compensation benefits.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are private purpose trust and agency funds. The School District's agency funds account for student activities and the private purpose trusts disburse scholarships to students.

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.

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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

The private purpose trust fund is reported using the economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the statement of fiduciary net position. The statement of changes in fiduciary net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/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 11 and 12.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "operating grants, contributions and interest" program revenue account.

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.

Cash and Investments

Cash received by the School District is deposited in one central bank account with individual fund balance integrity maintained through School District records. Monies for all funds are maintained in this account or other short term investments. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest revenue credited to the general fund during fiscal year 2018 amounted to $529,538, which includes $184,639 assigned from other School District funds.

The School District has segregated bank accounts for monies held separately from the School District's central bank account. These depository accounts are presented on the financial statements as "cash and cash equivalents in segregated accounts" and "investments in segregated accounts" since they are not required to be deposited into the School District's treasury.

The School District has escrow accounts for construction retainage and annual payments for the Qualified Zone Academy Bonds. The balances in these accounts are presented on the financial statements as "cash and cash equivalents with fiscal agent" and represent monies held for the School District.

During fiscal year 2018, investments were limited to STAR Ohio, (the State Treasurer's Investment Pool).

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. Certificates of deposit are reported at cost.

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

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

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments. Further details on investments held by the School District can be found in Note 5.

Capital Assets

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

All capital assets are capitalized at cost or fair market value 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 five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	20 Years
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	4 - 10 Years

Interfund Balances

On fund financial statements, long-term interfund loans are classified as "advances to/from other funds." 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 column of the statement of net position.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in both government-wide and fund financial statements. These amounts are reflected as an expenditure/expense in the year in which the services are consumed.

Compensated Absences

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

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

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave is 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 respective retirement plans. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. The retirement 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.

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, net pension/OPEB liability 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. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on 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, there was no net position restricted by enabling legislation.

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

Fund Balance

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

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

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

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

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

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

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

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 proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the management and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are primarily charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

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.

Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of control has been established by the Board of Education at the fund level for all funds. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Lorain County Budget Commission for rate determination.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund type. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2018.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as restricted, committed or assigned fund balance for subsequent-year expenditures for governmental funds. An assignment for encumbrances is not reported on government-wide financial statements.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

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	$	65,767,410
Adjustments:		
Net OPEB Liability		(30,200,492)
Deferred Outflow-Payments Subsequent to Measurement Date		240,533
Restated Net Position, July 1, 2017	$	35,807,451

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

Note 3 – Fund Balance

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

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

	General Fund	Debt Service Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Nonspendable for:					
Unclaimed Monies	$ 57,038	$ 0	$ 0	$ 0	$ 57,038
Restricted for:					
Debt Service	5,395,348	2,580,452	0	0	7,975,800
Capital Outlay	0	0	6,708,350	867,142	7,575,492
Non-Public Schools	0	0	0	77,094	77,094
Food Service	0	0	0	2,092,062	2,092,062
Classroom Facilities Maintenance	0	0	0	2,276,662	2,276,662
Other Purposes	0	0	0	196,589	196,589
Total Restricted	5,395,348	2,580,452	6,708,350	5,509,549	20,193,699
Assigned for:					
Assigned for Encumbrances:					
Instruction	586,251	0	0	0	586,251
Support Services	618,822	0	0	0	618,822
Extracurricular	600	0	0	0	600
Capital Outlay	209	0	0	0	209
Assigned for Subsequent Year Appropriations	5,131,611	0	0	0	5,131,611
Total Assigned	6,337,493	0	0	0	6,337,493
Unassigned	7,266,014	0	0	(673,057) *	6,592,957
Total Fund Balance (Deficit)	$ 19,055,893	$ 2,580,452	$ 6,708,350	$ 4,836,492	$ 33,181,187

* Unassigned fund balance included the following individual fund deficits:

	Deficit Fund Balance
NonMajor Governmental Funds:	
Athletics	$ 21,803
Public Preschool	62,898
Miscellaneous State Grants	1,136
Title VI-B	133,955
Vocational Education	18,273
Title I School Improvement	60,346
Title III	7,948
Title I	262,658
Title II-A	85,019
School Wide Building Program	17,729
Miscellaneous Federal Grants	1,292

The deficits in these nonmajor governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide 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/retained earnings 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 a 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 an assignment or commitment of fund balance (GAAP).

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

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.

GAAP Basis	$ 3,873,637
Net Adjustment for Revenue Accruals	(995,245)
Net Adjustment for Expenditure Accruals	1,664,671
Funds Budgeted Elsewhere **	50,006
Adjustment for Encumbrances	(3,889,267)
Budget Basis	$ 703,802

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, unclaimed monies fund and certain special cost centers of the rotary fund and special trust fund.

Note 5 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of 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, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

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

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

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,

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

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

Cash with Fiscal Agent The School District had $5,395,348 in an escrow account for payment of the Qualified Zone Academy Bonds.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, $250,000 of the School District’s total bank balance of $4,438,460 was covered by FDIC while the remaining balance of $4,188,460 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities help by the pledging financial institution’s trust department or agent, but not in the School District’s name.

Protection of the School District’s cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The School District's financial institution had enrolled in OPCS as of June 30, 2018.

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

S&P Global Rating	Investment	Measurement Amount	Investment Maturity (in years) Less than 1	% Total Investments
	Net Asset Value (NAV):			
AAAm	STAR Ohio	$ 32,775,787	$ 32,775,787	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 measurement as of June 30, 2018. As previously discussed Star Ohio is reported at its net asset value.

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

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 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 district may invest in any one issuer.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 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 Lorain 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	$ 539,688,490	95.61%	$ 540,621,720	95.39%
Public Utility Personal Property	24,784,730	4.39%	26,150,500	4.61%
	$ 564,473,220	100.00%	$ 566,772,220	100.00%
Tax rate per $1,000 assessed valuation	$ 67.62		$ 67.64	

Note 7 - Receivables

Receivables at June 30, 2018, consisted of taxes, interfund and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Note 8 - 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	$ 9,547,170	$ 97,382	$ 0	$ 9,644,552
Capital Assets, being depreciated:				
Land Improvements	336,105	108,535	0	444,640
Buildings and Improvements	194,083,485	509,183	(31,731)	194,560,937
Furniture and Equipment	4,822,483	128,095	(1,661,387)	3,289,191
Vehicles	592,722	57,052	(140,451)	509,323
Total Capital Assets, being depreciated	199,834,795	802,865	(1,833,569)	198,804,091
Less Accumulated Depreciation:				
Land Improvements	(58,868)	(11,108)	0	(69,976)
Buildings and Improvements	(26,914,515)	(3,889,454)	24,185	(30,779,784)
Furniture and Equipment	(2,630,171)	(280,904)	1,440,664	(1,470,411)
Vehicles	(456,661)	(33,331)	133,651	(356,341)
Total Accumulated Depreciation	(30,060,215)	(4,214,797)	1,598,500	(32,676,512)
Total Capital Assets being depreciated, net	169,774,580	(3,411,932)	(235,069)	166,127,579
Governmental Activities Capital Assets, Net	$ 179,321,750	$ (3,314,550)	$ (235,069)	$ 175,772,131

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction:	
Regular	$ 1,871,746
Special	128,939
Vocational	232,967
Support Services:	
Instructional Staff	184,299
Administration	204,415
Business	1,249
Operation and Maintenance of Plant	1,151,195
Pupil Transportation	3,051
Central	80,776
Operation of Non-Instructional Services:	
Food Service	323,448
Extracurricular Activities	32,712
Total Governmental Activities	$ 4,214,797

Note 9 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District is contracted with Fitzgibbons, Arnold and Company with the following coverages:

Type of Coverage	Per Occurance	Aggregate
General Liability	$ 1,000,000	$ 2,000,000
Automobile	1,000,000	0
Excess Liability	1,000,000	1,000,000
Blanket Building/Contents	0	248,681,158

Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

Workers' Compensation

Lorain City Schools participates in a group retrospective rating plan for workers' compensation, as established under Section 4123-17-73 of the Ohio Administrative Code. The Ohio SchoolComp Group Retrospective Rating Plan was established through the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO).

The Executive Directors of the OSBA and OASBO, or their designees, serve as coordinators of the group retrospective rating program. Each year, the participating school districts pay an enrollment fee to the program to cover the costs of the administering the program.

For calendar year 2018, Lorain City Schools participated in the Ohio SchoolComp Worker's Compensation Group Retrospective Rating Plan, a voluntary performance-based incentive program offered jointly by OSBA and OASBO. The intent of the program is to reward participants that are able to keep their claims costs low. Districts continue to pay their individual premium directly to the Ohio BWC. Districts will then have future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2018 program, the evaluation periods will 12/31/19, 12/31/20 and 12/31/21. Refunds or assessments will be calculated by the Ohio BWC, based on the pro-rata share of the districts individual premium compared to the overall program premium. Participation in the Group Retrospective Rating Plan is limited to school districts that can meet the programs selection criteria. The firm of CompManagement, LLC. provides administrative, cost control and actuarial services to the program.

Health Insurance

In order to minimize the annual cost of medical insurance, the Lorain City School District Board of Education and unions that represent its employees have entered into a Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (the Trust). The Trust provides health care, dental, vision and prescription benefits for full-time employees, their spouses and dependents, and for other persons who, according to Board of Education policy, are eligible for them. Health care benefits are paid by the Trust until certain coverage limits are reached. At that point, expenses are paid through "stop-loss" insurance coverage. The Trust has hired Medical Mutual of Ohio to process claims for benefits. The Trust purchases "stop-loss" coverage from Medical Mutual of Ohio. Additionally, the Trust purchases or pays for benefit coverage for dental care, vision care and prescription drug expenses through other companies. Dental care was provided under Delta Dental. Vision care is provided through Vision Plan of Ohio (VSP) and prescription drugs are provided through Medical Mutual of Ohio/Medco.

Contributions by the Lorain City School District Board of Education fund benefits are limited by provisions in the union contracts with its employees. Those union contracts require the Plan Trustees to devise cost containment measures in an event that benefit expenditures exceed money contributions that the Board of Education is required to make. Thus, in future years, contributions from employees may be required, or other cost containing measures may be implemented. The Trust was dissolved on December 31, 2017.

Effective January 1, 2018, the Lorain City School District Board of Education and unions that represent its employees have joined the Lake Erie Regional Council (LERC). LERC provides health care, dental, vision and prescription benefits for full-time employees, their spouses and dependents, and for other persons who, according to Board of Education policy, are eligible for them. LERC purchases "stop-loss" coverage from Medical Mutual of Ohio. Additionally, LERC purchases or pays for benefit coverage for dental care, vision care and prescription drug expenses through other companies. Dental care was provided under Delta Dental. Vision care is provided through MMO/Eye Med and prescription drugs are provided through CVS Caremark.

Note 10 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn vacation based upon length of service and hours worked. Teachers do not earn vacation time. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 120 through 320 days depending on the individual contracts.

Upon retirement, employees receive payment for one-fourth of the total accumulated sick leave, up to a maximum accumulation which ranges from 30 through 75 days, depending on the individual contract.

An incentive plan (effective from the 2006-07 through the 2011-12 school year) offered to the LEA (Lorain Education Association) required employees to declare their intention to retire by March 1st of each school year. The incentive of up to $40,000 was paid over three years in equal installments. The final payments were made in July 2014.

In February 2010, the School District approved an early retirement incentive plan for employees in the State Employee Retirement System (SERS) and employees in the State Teachers Retirement System (STRS). For this incentive plan, the Lorain Education Association was excluded. Applicable employees in SERS receive 60 percent of their salary. Applicable employees in STRS receive $80,000 over a four year period.

In June 2010, the School District approved a retirement incentive for the Lorain Education Association whereby the School District purchased up to two years of service credit for applicable employees.

Per the Memorandum of Understanding between the Board of Education of the Lorain City School District and the LEA, effective July 1, 2012, the payment of severance/incentive pay for retiring LEA members will be mandatorily paid into an annuity contract or custodial account that is designed to meet the tax qualifications of IRC section 403b. Such payment will be in lieu of the payment being made directly to the retired teacher, as long as the teacher reaches age 55 anytime during his/her retirement year. Otherwise payment will be made directly to the teacher in one lump sum, or two equal installments – one in the year of retirement and the other in the second year of retirement in January.

Note 11 - 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 $2,049,074 for fiscal year 2018. Of this amount, $106,481 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 $5,557,258 for fiscal year 2018. Of this amount, $1,041,230 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	0.43436040%	0.34446248%	
Prior Measurement Date	0.42195970%	0.33674185%	
Change in Proportionate Share	0.01240070%	0.00772063%	
Proportionate Share of the Net Pension Liability	$ 25,952,074	$ 81,827,800	$ 107,779,874
Pension Expense	$ (474,961)	$ (31,750,907)	$ (32,225,868)

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	$ 1,116,884	$ 3,159,803	$ 4,276,687
Changes of Assumptions	1,342,002	17,896,639	19,238,641
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	985,888	3,333,177	4,319,065
School District Contributions Subsequent to the Measurement Date	2,049,074	5,557,258	7,606,332
Total Deferred Outflows of Resources	$ 5,493,848	$ 29,946,877	$ 35,440,725

	SERS	STRS	Total
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 659,500	$ 659,500
Net Difference between Projected and Actual Earnings on Pension Plan Investments	123,188	2,700,413	2,823,601
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	2,218,600	2,218,600
Total Deferred Inflows of Resources	$ 123,188	$ 5,578,513	$ 5,701,701

$7,606,332 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	$ 1,498,380	$ 3,527,227	$ 5,025,607
2020	1,890,578	7,200,722	9,091,300
2021	537,623	6,181,582	6,719,205
2022	(604,995)	1,901,575	1,296,580
	$ 3,321,586	$ 18,811,106	$ 22,132,692

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)

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

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

The 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	$ 36,014,735	$ 25,952,074	$ 17,522,544

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.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates 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 %	

**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	$ 117,297,367	$ 81,827,800	$ 51,950,007

Note 12 - Defined Benefit OPEB Plans

Net OPEB Liability

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

The net OPEB liability represents the 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 $194,068.

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 $269,960 for fiscal year 2018. Of this amount $198,012 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.44083350%	0.34446248%	
Prior Measurement Date	0.42771465%	0.33674185%	
Change in Proportionate Share	0.01311885%	0.00772063%	
Proportionate Share of the Net OPEB Liability	$ 11,830,813	$ 13,439,655	$ 25,270,468
OPEB Expense	$ 737,040	$ (4,042,071)	$ (3,305,031)

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	$ 775,820	$ 775,820
Changes in Proportionate Share and Differences between School District Contributions and Proportionate Share of Contributions	296,781	353,915	650,696
School District Contributions Subsequent to the Measurement Date	269,960	0	269,960
Total Deferred Outflows of Resources	$ 566,741	$ 1,129,735	$ 1,696,476

	SERS	STRS	Total
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$ 31,242	$ 574,442	$ 605,684
Changes of Assumptions	1,122,683	1,082,609	2,205,292
Total Deferred Inflows of Resources	$ 1,153,925	$ 1,657,051	$ 2,810,976

$269,960 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	$ (307,051)	$ (135,757)	$ (442,808)
2020	(307,051)	(135,757)	(442,808)
2021	(235,233)	(135,757)	(370,990)
2022	(7,809)	(135,755)	(143,564)
2023	0	7,854	7,854
Thereafter	0	7,856	7,856
	$ (857,144)	$ (527,316)	$ (1,384,460)

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	$ 14,287,213	$ 11,830,813	$ 9,884,717

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 9,599,818	$ 11,830,813	$ 14,783,573

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	$ 18,042,521	$ 13,439,655	$ 9,801,887
	1% Decrease	**Current Trend Rate**	**1% Increase**
School District's Proportionate Share of the Net OPEB Liability	$ 9,337,296	$ 13,439,655	$ 18,838,839

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Note 13 - Long - Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Restated Outstanding 6/30/17	Additions	Reductions	Refunding	Outstanding 6/30/18	Amounts Due in One Year
Governmental Activities:						
General Obligation Bonds Payable:						
Qualified Zone Academy Bonds	$ 5,400,000	$ 0	$ 0	$ 0	$ 5,400,000	$ 5,400,000
2006 School Improvement Refunding Bonds	3,720,000	0	20,000	3,700,000	0	0
Premium on Debt Issuance	121,581	0	30,394	91,187	0	0
2007 School Improvement Refunding Bonds						
Serial Bonds	7,620,000	0	1,925,000	2,470,000	3,225,000	2,095,000
Premium on Debt Issuance	479,217	0	53,247	183,168	242,802	0
2012 Classroom Facilities Refunding Bonds	9,335,000	0	0	0	9,335,000	0
Premium on Debt Issuance	407,960	0	50,995	0	356,965	0
2015 Classroom Facilities Refunding Bonds	3,360,000	0	45,000	0	3,315,000	50,000
Capital Appreciation Bond	4,995	0	0	0	4,995	0
Accretion on CAB	6,468	5,704	0	0	12,172	0
2018 Classroom Facilities Refunding Bonds	0	6,170,000	0	0	6,170,000	74,000
Total	30,455,221	6,175,704	2,124,636	6,444,355	28,061,934	7,619,000
Net Pension Liability	143,601,205	0	35,821,331	0	107,779,874	0
Net OPEB Liability	30,200,492		4,930,024	0	25,270,468	0
Capital Lease	1,282,807	0	419,862	0	862,945	427,555
Compensated Absences	6,200,854	1,506,735	1,198,712	0	6,508,877	1,373,204
Total Governmental Activities Long-Term Liabilities	$211,740,579	$ 7,682,439	$44,494,565	$ 6,444,355	$168,484,098	$ 9,419,759

2005 Qualified Zone Academy Bonds

In 2005, the School District issued $5,400,000 in Qualified Zone Academy Bonds (QZAB) to finance the purchase of computer technology for the classrooms. The School District made seven annual payments, which were deposited into an escrow account that will earn an investment rate of 3.45 percent. The last payment was made in June 2011 for a total of $3.8 million paid by general fund. The remaining $1.6 million due will accrue as interest in the escrow account until the $5,400,000 bonds mature in July 2018.

2006 School Improvement Refunding Bonds

On December 21, 2006, the School District issued $4,169,995 refunded general obligation bonds. The proceeds of the bonds were used to refund $4,169,995 of the School District’s outstanding Capital Improvement Bonds, Series 2003. The bonds were issued for a 14 year period with final maturity at December 1, 2020 with a varying interest rate of 3.50 to 4.25 percent. At the date of the refunding, $4,595,516 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2018, $3,640,000 of these bonds are considered defeased (which mature on December 1, 2016 through December 1, 2020).

These refunding bonds were issued with a premium of $425,521, which is reported as an increase to bonds payable. The amounts are being amortized to interest expenses over the life of the bonds using the straight-line method. The issuance costs have been reported as an expenditure. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of $335,648. The issuance resulted in an economic gain of $122,127.

The bonds were refunded on March 18, 2018.

2007 School Improvement Refunding Bonds

On March 6, 2007, the School District issued $8,985,000 refunded general obligation bonds. The proceeds of the bonds were used to refund $9,050,000 of the School District's outstanding Capital Improvement Bonds, Series 2003. The bonds were issued for a 18 year period with final maturity at December 1, 2025 with a varying interest rate of 4.00 to 5.50 percent. At the date of the refunding, $9,996,687 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2018, $3,315,000 of these bonds are considered defeased, (which will mature on December 1, 2018 through December 1, 2019).

These refunding bonds were issued with a premium of $1,011,687, which is reported as an increase to bonds payable. The amounts are being amortized to interest expenses over the life of the bonds using the straight-line method. The issuance costs have been reported as an expenditure. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of $781,937. The issuance resulted in an economic gain of $317,942.

$2,470,000 of these bonds were refunded on March 18, 2018

2012 Classroom Facilities Refunding Bonds

On June 27, 2012, the School District issued $9,335,000 in refunded general obligation bonds. The proceeds of the bonds were used to refund $9,530,000 of the School District's outstanding Capital Improvement Bonds, Series 2003. The bonds were issued for a 13 year period with final maturity at December 1, 2024 with a varying interest rate of 3.00 to 4.00 percent. At the date of the refunding, $9,846,557 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2018, $9,530,000 of these bonds are considered defeased, (which will mature on December 1, 2020 through December 1, 2023).

These refunding bonds were issued with a premium of $662,935, which is reported as an increase to bonds payable. The amounts are being amortized to interest expensed over the life of the bonds using the straight-line method. The issuance costs have been reported as an expenditure. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of $1,521,452. The issuance resulted in an economic gain of $1,280,893.

2015 Classroom Facilities Current Refunding Bonds

On May 13, 2015, the School District issued $3,504,995 in refunded general obligation bonds. The proceeds of the bonds were used to refund $3,505,000 of the School District's outstanding 2003 Classroom Facilities Bonds. The bonds were issued for an 11 year period with final maturity at

December 1, 2025 at an interest rate of 3.25 percent. This issuance included a capital appreciation bond that matures on December 1, 2025. This bond was purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bonds. As the value of the bonds increase, the accretion is reflected as principal liability. The maturity amount of the bond due in fiscal year 2026 is $355,000.

These refunding bonds were issued with a premium of $162,352, which has been reported as an expense in addition to the issuance costs.

2018 Classroom Facilities Current Refunding Bonds

On March 15, 2018, the School District issued $6,170,000 in refunded general obligation bonds. The proceeds of the bonds were used to refund $3,700,000 of the School District's outstanding 2006 School Improvement Refunding Bonds and $2,470,000 of the 2007 School Improvement Refunding Bonds. The bonds were issued for an 8 year period with final maturity at December 1, 2025 at an interest rate of 2.72 percent. The issuance costs have been reported as an expenditure.

The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of $457,596. The issuance resulted in an economic gain of $422,387.

General obligation bonds will be repaid from the debt service fund. Compensated absences will be paid from various governmental funds from which employees' salaries are paid, which in prior years is primarily general fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the general fund and food service fund. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

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

Fiscal Year	Serial Bonds		Capital Appreciation Bonds		Total	
Ending June 30,	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2019	$ 2,219,000	$ 764,386	$ 0	$ 0	$ 2,219,000	$ 764,386
2020	2,335,000	621,930	0	0	2,335,000	621,930
2021	2,537,000	539,698	0	0	2,537,000	539,698
2022	2,740,000	450,467	0	0	2,740,000	450,467
2023	2,910,000	337,880	0	0	2,910,000	337,880
2024 - 2026	9,304,000	415,039	4,995	350,005	9,308,995	765,044
Total	$22,045,000	$ 3,129,400	$ 4,995	$ 350,005	$ 22,049,995	$ 3,479,405

Note 14 – Tax Anticipation Notes

In December 2012, the School District issued a tax anticipation note in the amount of $3,126,190 at 1.95 percent, maturing December 1, 2017. This note was paid from the general fund.

	Outstanding 6/30/17	Additions	Reductions	Outstanding 6/30/18
2012 Tax Anticipation Note 1.95% though 2017	$ 625,238	$ 0	$ 625,238	$ 0

Note 15 – Capitalized Leases

During fiscal year 2015, the School District entered into a lease-purchase agreement for technology improvements for $2,100,000 at an interest rate of 1.82 percent. The School District is leasing the technology from PNC Equipment Finance, LLC. The School District will make annual lease payments to PNC Bank.

Assets acquired by the lease in the amount of $447,817 have been capitalized as furniture and equipment with accumulated depreciation of $186,590. Supplies and equipment purchases under the capitalization threshold amounting to $1,652,183 have been expensed. Payments will be made from the general fund.

Year	Amount
2019	$ 440,354
2020	440,354
Total Mininum Lease Payments	880,708
Less Amount Representing Interest	17,763
Present Value of Minimum Lease Payments	$ 862,945

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Note 16 - Interfund Transfers

Transfers for the year ended June 30, 2018 consisted of the following:

Fund	Transfer In	Transfer Out
General Fund	$ 0	$ 1,251,537
Nonmajor Governmental Funds	827,949	0
Internal Service Fund	423,588	0
Total	$ 1,251,537	$ 1,251,537

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, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

General fund transferred $827,949 to the athletics fund and $423,588 to the runout reserve self insurance internal service fund.

Note 17 - Interfund Balances

Interfund balances at June 30, 2018 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	$ 465,773	$ 0
Nonmajor Governmental Funds	0	448,903
Internal Service Fund	0	16,870
Total	$ 465,773	$ 465,773

The general fund advanced monies to nonmajor governmental funds and the runout reserve internal service fund to cover expenditures until expected revenues were received. All interfund loans will be repaid in fiscal year 2019 with monies to be received from reimbursable expenditures incurred during fiscal year 2018.

Note 18 - Encumbrance Commitments

Encumbrance Commitments

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

Fund	Amount
General Fund	$ 1,205,882
Classroom Facilities	441,199
Nonmajor Governmental Funds	1,031,128
	$ 2,678,209

Note 19 - Jointly Governed Organizations

META Solutions

The District is a participant in META (Metropolitan Educational Technology Association) Solutions. META Solutions is an association of public school districts throughout Ohio. 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. The governing board of META Solutions consists of the superintendent from 11 member districts. During fiscal year 2018, the District paid $133,740 to META Solutions for various services. Financial information can be obtained from the Metropolitan Educational Technology Association, 100 Executive Drive, Marion, Ohio 43302.

Ohio Schools Council

By agreement between the Lake Erie Regional Council of Governments and the Ohio Schools Council (OSC), effective July 1, 2010, the two co-ops joined together as one under the name of the Ohio Schools Council's Cooperative Purchasing Program.

The OSC is a jointly governed organization among 157 school districts in 28 counties. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as media center, gas consumption, food service and insurance. Each member provides operating resources to OSC on a per pupil or actual usage charge except for insurance.

OSC is governed by a board of directors chosen from the general membership. Financial information can be obtained by contacting the Executive Director at 6133 Rockside Road, Suite 10, Independence, Ohio 44131. For the 2017-18 school year, the School District paid $1,341.20 for membership and services.

Note 20 - Public Entity Risk Pool

The Lake Erie Regional Council of Government (LERC) is a shared risk pool which is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council, comprised of 10 Lorain County school districts, has a Health Benefits Program, a media center, a natural gas purchasing consortium, and a life insurance purchasing pool. Each member provided operating resources to LERC on a per-pupil or actual usage charge, except for health insurance.

Note 21 – 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 at June 30, 2018, if applicable, cannot be determined at this time.

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 District Foundation

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School District. The financial statement impact was determined to be immaterial and is not reported as an asset or liability of the School District.

Note 22 - Set-Asides

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

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

	Capital Improvement Reserve
Set Aside Restricted Balance June 30, 2017	$ 0
Current Year Set-Aside Requirement	1,126,795
Prior Year Offset from Bond Proceeds	(1,126,795)
Total	$ 0
Balance Carried Forward to Fiscal Year 2019	$ 0
Set Aside Balance June 30, 2018	$ 0

Note 23 – Fiscal Caution

On June 23, 2007 the School District was declared to be in a state of "Fiscal Caution" by the Auditor of State. In accordance with this law, within sixty days of the Auditor's declaration of fiscal caution, the Board of Education of the School District had to prepare and submit to the Superintendent of Public Instruction a financial plan outlining the steps the Board will take to eliminate the School District's current operating deficit and avoid future deficits. The most recent financial recovery plan was submitted on December 7, 2012. The District was officially released from Fiscal Caution effective May 24th, 2018.

Note 24 – Academic Distress

Under the provisions of House Bill 70, which became law in 2015, when any school district has three years of failing grades the state superintendent has the authority to create the Academic Distress Commission (ADC). The ADC then has the task of appointing a Chief Executive Officer with the authority over the school board and superintendent. It has been determined the School District will fall under these House Bill rules, however it is unknown at this time the financial implications of the this pending state takeover that started April 6, 2017. The chair of the ADC was appointed on April 6, 2017. The rest of the ADC was in place by June 6, 2017 and the CEO was appointed 60 days later on August 6, 2017. The CEO is currently writing his improvement plan that he had 90 days to complete, it was released at the November 6, 2017 ADC meeting.

Note 25 – Dissolution of Health Benefit Trust

As of December 31, 2017, the School District ceased the provision of health, dental and vision benefits to the employees and their dependents through the Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (the Trust). All rights, obligations and responsibilities of the Trust were transferred to the Chief Financial Officer of the School District.

As of December 31, 2017, the Trust had a cash balance of $155,121, known current assets of $338,444 and current liabilities of $493,565. Through January 11, 2018 the Trust received $338,444 in revenues to offset the outstanding receivable balances. The Trust used the cash balances and revenues received to retire the remaining expense obligations of $491,162 for accounts payable and $2,403 for consulting fees.

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Lorain City School District
Lorain 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	0.43436040%	0.42195970%	0.40473900%	0.39710500%	0.39710500%
School District's Proportionate Share of the Net Pension Liability	$ 25,952,074	$ 30,883,557	$ 23,094,800	$ 20,097,258	$ 23,614,560
School District's Covered Payroll	$ 14,303,921	$ 11,046,207	$ 12,942,838	$ 11,655,635	$ 9,304,610
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	181.43%	279.59%	178.44%	172.43%	253.79%
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	0.34446248%	0.33674185%	0.32817160%	0.34757227%	0.34757227%
School District's Proportionate Share of the Net Pension Liability	$ 81,827,800	$ 112,717,648	$ 90,697,031	$ 84,541,605	$ 100,705,407
School District's Covered Payroll	$ 38,847,093	$ 35,268,164	$ 35,912,143	$ 38,244,000	$ 33,974,123
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	210.64%	319.60%	252.55%	221.06%	296.42%
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.

Note: 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.

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

	2018	2017	2016	2015
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 2,049,074	$ 2,002,549	$ 1,546,469	$ 1,705,866
Contributions in Relation to the Contractually Required Contribution	(2,049,074)	(2,002,549)	(1,546,469)	(1,705,866)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 15,178,326	$ 14,303,921	$ 11,046,207	$ 12,942,838
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 5,557,258	$ 5,438,593	$ 4,937,543	$ 5,027,700
Contributions in Relation to the Contractually Required Contribution	(5,557,258)	(5,438,593)	(4,937,543)	(5,027,700)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 39,694,700	$ 38,847,093	$ 35,268,164	$ 35,912,143
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

	2014	2013	2012	2011	2010	2009
	$ 1,615,471	$ 1,287,758	$ 1,447,776	$ 1,925,164	$ 1,806,698	$ 1,135,469
	(1,615,471)	(1,287,758)	(1,447,776)	(1,925,164)	(1,806,698)	(1,135,469)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 11,655,635	$ 9,304,610	$ 10,764,134	$ 15,315,545	$ 13,343,412	$ 11,539,319
	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
	$ 4,971,720	$ 4,416,636	$ 5,272,058	$ 5,565,834	$ 6,332,081	$ 5,500,055
	(4,971,720)	(4,416,636)	(5,272,058)	(5,565,834)	(6,332,081)	(5,500,055)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 38,244,000	$ 33,974,123	$ 40,554,292	$ 42,814,108	$ 48,708,315	$ 42,308,115
	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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Lorain City School District
Lorain 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	0.44083350%	0.42771465%
School District's Proportionate Share of the Net OPEB Liability	$ 11,830,813	$ 12,191,450
School District's Covered Payroll	$ 14,303,921	$ 11,046,207
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.71%	110.37%
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	0.34446248%	0.33674185%
School District's Proportionate Share of the Net OPEB Liability	$ 13,439,655	$ 18,009,042
School District's Covered Payroll	$ 38,847,093	$ 35,268,164
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	34.60%	51.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 269,960	$ 240,533	$ 216,875	$ 241,232
Contributions in Relation to the Contractually Required Contribution	(269,960)	(240,533)	(216,875)	(241,232)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 15,178,326	$ 14,303,921	$ 11,046,207	$ 12,942,838
OPEB Contributions as a Percentage of Covered Payroll (1)	1.78%	1.68%	1.96%	1.86%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 39,694,700	$ 38,847,093	$ 35,268,164	$ 35,912,143
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$ 160,740	$ 176,137	$ 228,703	$ 429,010	$ 250,380	$ 659,384
(160,740)	(176,137)	(228,703)	(429,010)	(250,380)	(659,384)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 11,655,635	$ 9,304,610	$ 10,764,134	$ 15,315,545	$ 13,343,412	$ 11,539,319
1.38%	1.89%	2.12%	2.80%	1.88%	5.71%
$ 382,440	$ 339,741	$ 405,543	$ 428,141	$ 487,083	$ 423,081
(382,440)	(339,741)	(405,543)	(428,141)	(487,083)	(423,081)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 38,244,000	$ 33,974,123	$ 40,554,292	$ 42,814,108	$ 48,708,315	$ 42,308,115
1.00%	1.00%	1.00%	1.00%	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.

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LORAIN CITY SCHOOL DISTRICT
LORAIN COUNTY

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

FEDERAL GRANTOR / ***Pass Through Grantor*** / **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**	**Non-Cash Expenditures**
U.S. DEPARTMENT OF EDUCATON				
Passed Through Ohio Department of Education				
Title I Cluster:				
Title I - School Improvement Sub A Grant FY17	84.010	N/A	$ 67,430	$ -
Title I - School Improvement Sub A Grant FY18	84.010	N/A	38,295	-
Title I - Grants to LEA's FY17	84.010	N/A	856,927	-
Title I - Grants to LEA's FY18	84.010	N/A	3,346,780	-
School Improvement - Admiral King FY18	84.010	N/A	37,283	-
School Improvement - Jacinto FY18	84.010	N/A	35,946	-
School Improvement - Hawthorne FY18	84.010	N/A	35,946	-
School Improvement - Helen Steiner Rice FY18	84.010	N/A	39,199	-
School Improvement - Palm FY18	84.010	N/A	39,806	-
Total Title I			4,497,612	-
Special Ed Cluster				
Special Educations - Grants to States FY17	84.027	N/A	273,451	-
Special Educations - Grants to States FY18	84.027	N/A	1,732,139	-
Total Special Education - Grants to States			2,005,590	-
Special Education - Preschool Grants FY18	84.173	N/A	42,486	-
Total Spcial Ed Cluster			2,048,076	-
Vocational Education - Carl D. Perkins Secondary FY17	84.048	N/A	33,464	-
Vocational Education - Carl D. Perkins Secondary FY18	84.048	N/A	213,051	-
Total Vocational Education-Carl D. Perkins Secondary			246,515	-
Title III-A English Language Acquisition FY17	84.365	N/A	28,292	-
Title III-A English Language Acquisition FY18	84.365	N/A	100,361	-
Total Title III-A English Language Acquisition			128,653	-
Title II-A Improving Teacher Quality FY17	84.367	N/A	140,403	-
Title II-A Improving Teacher Quality FY18	84.367	N/A	188,936	-
Total Title II-A Improving Teacher Quality			329,339	-
Title IV-A Student Support and Academic Enrichment FY18	84.403	N/A	27,653	-
Total Title IV-A Student Support and Academic Enrichment			27,653	-
Total Passed Through Ohio Department of Education			**7,277,848**	-
U.S. DEPARTMENT OF EDUCATION				
Direct Program				
Gaining Early Awareness and Readiness for Undergraduate Program #3 FY17	84.334	N/A	88,502	-
Gaining Early Awareness and Readiness for Undergraduate Program #3 FY18	84.334	N/A	250,749	-
Total Gaining Early Awareness and Readiness for Undergraduate Program			339,251	-
Total Direct Awards			339,251	-
Total U.S Department of Education			**7,617,099**	**-**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Fresh Fruit and Vegetable Program FY18	10.582	N/A	89,615	-
Total Fresh Fruit and Vegetable Program			89,615	-
Child Nutrition Cluster				
School Breakfast Program	10.553	N/A	1,439,852	-
National School Lunch Program	10.555	N/A	2,871,173	227,570
Total Child Nutrition Cluster			4,311,025	227,570
Total U.S. Departmenet of Agriculture			**4,400,640**	**227,570**
Total Expenditures of Federal Awards			**$ 12,017,739**	**$ 227,570**

The accompanying notes are an integral part of this schedule.

LORAIN CITY SCHOOL DISTRICT
LORAIN COUNTY

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E – MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2018 to 2019 programs:

Program Title	CFDA Number	Amount Transferred
Title I Grants to Local Educational Agencies	84.010	$ 186,686
Special Education – Grants to States	84.027	$ 106,366
Title II-A Supporting Effective Instruction	84.367	$ 199,636
Title III-A English Language Acquisition	84.365	$ 46,806
Title IV-A Student Support and Academic Enrichment	84.403	$ 38,333

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

Lorain City School District
Lorain County
2601 Pole Avenue
Lorain, Ohio 44052

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain City School District, Lorain County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

March 27, 2019

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

Lorain City School District
Lorain County
2601 Pole Avenue
Lorain, Ohio 44052

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

March 27, 2019

LORAIN CITY SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster: School Breakfast Program / CFDA #10.553 National School Lunch Program / CFDA #10.555
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

LORAIN CITY SCHOOL DISTRICT

LORAIN 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
APRIL 9, 2019