WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT
LAKE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT
LAKE COUNTY

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LAKE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Willoughby-Eastlake City School District
Lake County
32500 Chardon Road
Willoughby Hills, Ohio 44094

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 Willoughby-Eastlake City School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 the Willoughby-Eastlake City School District, Lake 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 restated its Governmental Activities net position to account for certain capital asset adjustments and also 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 these matters.

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 Federal Awards Expenditures Schedule 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 1, 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 1, 2019

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The discussion and analysis of the Willoughby-Eastlake 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 $61,013,038, which represents a 42 percent increase from 2017 restated net position.

- Capital assets increased $28,627,233 during fiscal year 2018.

- During the fiscal year, outstanding debt decreased from $163,855,000 to $163,790,000 due to principal payments made by the School District, offset by the issuance of refunding certificates of participation.

- The School District implemented GASB 75, which reduced beginning net position as previously reported by $33,402,002. Beginning net position was also increased by $1,313,460 due to a restatement of capital assets.

- A decrease in net pension liability and net OPEB liability substantially decreased all instructional and support services expenses compared to fiscal year 2017. See further explanation after Table 1.

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 Willoughby-Eastlake 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 Willoughby-Eastlake City School District, the general fund and building fund are by far 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 (non-fiduciary) 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 operation of non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund 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 and building 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 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 benefits and warehouse service programs. 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 23.

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 26 and 27. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

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

Table 1
Net Position

	Governmental Activities	
	2018	Restated 2017
Assets		
Current and Other Assets	$ 190,019,636	$ 207,702,843
Capital Assets	91,720,508	63,093,275
Total Assets	281,740,144	270,796,118
Deferred Outflows of Resources		
Deferred Charges on Refunding	1,816,560	0
Pension & OPEB	38,755,602	33,113,069
Total Deferred Outflows of Resources	40,572,162	33,113,069
Liabilities		
Other Liabilities	19,612,026	11,481,202
Long-Term Liabilities:		
Due Within One Year	4,125,633	4,157,207
Due in More Than One Year		
Pension & OPEB	146,868,364	198,367,379
Other Amounts	177,075,656	177,440,259
Total Liabilities	347,681,679	391,446,047
Deferred Inflows of Resources		
Property Taxes and Other	50,195,081	56,139,570
Pension & OPEB	7,842,768	743,830
Total Deferred Inflows of Resources	58,037,849	56,883,400
Net Position		
Net Investment in Capital Assets	6,686,806	7,030,548
Restricted	26,830,221	16,949,875
Unrestricted	(116,924,249)	(168,400,683)
Total Net Position	$ (83,407,222)	$ (144,420,260)

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation, combined with a restatement for capital assets, resulted in restating net position at June 30, 2017, from a deficit of $112,331,718 to a deficit of $144,420,260 (See Note 2).

At year end, capital assets represented 33 percent of total assets. Capital assets include land, buildings and improvements, furniture and equipment, vehicles and construction in progress. Net investment in capital assets was $6,686,806 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 net 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, $26,830,221 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of $116,924,249, which was primarily caused by GASB 68 and 75.

Current and other assets decreased and capital assets increased during fiscal year 2018 as cash and investments were used for the ongoing construction and improvement projects throughout the School District. The increase in deferred outflows of resources for deferred charges in refunding is a result of the refunding of the Series 2011B and Series 2013 Certificates of Participation. There was an increase in other liabilities for contracts payable for the ongoing construction projects as well as an increase in accrued wages and benefits, primarily caused by an increase in staff as the School District hired several Educational Service Center employees that had been working at the School District. The decrease in deferred inflows for property taxes was caused by a decrease in property taxes available for advance.

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

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

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 3,772,227	$ 3,263,278
Operating Grants, Contributions and Interest	10,457,202	10,193,283
Capital Grants	1,475,088	0
Total Program Revenues	15,704,517	13,456,561
General Revenues and Extraordinary Item:		
Property Taxes	79,045,887	69,799,325
Payment in Lieu of Taxes	259,019	0
Grants and Entitlements Not Restricted	25,731,809	25,242,578
Extraordinary Item	6,197,596	0
Other	434,640	3,690,329
Total General Revenues	111,668,951	98,732,232
Total Revenues	127,373,468	112,188,793
Program Expenses		
Instruction:		
Regular	13,338,063	42,467,326
Special	5,177,137	12,813,274
Vocational	2,631,738	1,694,204
Adult/Continuing	630,143	1,133,578
Student Intervention Services	2,848,102	3,244,599
Other	118,799	67,150
Support Services:		
Pupils	3,612,062	7,175,108
Instructional Staff	1,399,065	3,014,815
Board of Education	17,842	25,440
Administration	3,881,311	8,557,545
Fiscal	2,329,029	2,914,497
Business	950,368	1,071,285
Operation and Maintenance of Plant	7,544,754	7,162,062
Pupil Transportation	9,695,968	8,563,011
Central	1,824,415	1,291,716
Operation of Non-Instructional Services:		
Food Service Operations	2,568,620	2,697,524
Community Services	670,130	817,790
Other	20,036	57,261
Extracurricular Activities	670,802	1,664,477
Debt Service:		
Interest and Fiscal Charges	6,432,046	7,453,884
Total Expenses	66,360,430	113,886,546
Increase (Decrease) in Net Position	$ 61,013,038	$ (1,697,753)

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 $231,864 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 $4,155,927. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	$ 66,360,430
Negative OPEB Expense under GASB 75	4,155,927
2018 Contractually Required Contribution	313,073
Adjusted 2018 Program Expenses	70,829,430
Total 2017 Program Expenses under GASB 45	113,886,546
Decrease in Program Expenses not Related to OPEB	$ (43,057,116)

The School District saw an increase in charges for services due to an increase in tuition received, primarily for the College Credit Plus program for Excel TECC and Lakeshore Compact. The increase in property tax revenue was caused by an increase in the amount available for advance. See Note 2 for information regarding the extraordinary item reported in the financial statements.

See financial highlights for explanation of fluctuations in instructional and support services expenses.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2018	2017	2018	2017
Instruction:				
Regular	$ 13,338,063	42,467,326	$ 12,000,978	$ 41,451,463
Special	5,177,137	12,813,274	111,217	7,440,418
Vocational	2,631,738	1,694,204	1,892,404	1,408,772
Adult/Continuing	630,143	1,133,578	(253,754)	193,410
Student Intervention Services	2,848,102	3,244,599	2,799,445	3,244,599
Other	118,799	67,150	118,799	20,143
Support Services:				
Pupils	3,612,062	7,175,108	3,560,236	7,175,108
Instructional Staff	1,399,065	3,014,815	1,156,204	2,722,555
Board of Education	17,842	25,440	17,842	25,440
Administration	3,881,311	8,557,545	3,319,062	7,965,894
Fiscal	2,329,029	2,914,497	1,630,616	2,914,497
Business	950,368	1,071,285	908,299	903,700
Operation and Maintenance of Plant	7,544,754	7,162,062	7,544,754	7,161,861
Pupil Transportation	9,695,968	8,563,011	8,724,234	7,814,038
Central	1,824,415	1,291,716	1,794,741	1,270,116
Operation of Non-Instructional Services:				
Food Service Operations	2,568,620	2,697,524	58,810	471,317
Community Services	670,130	817,790	(842,443)	51,471
Other	20,036	57,261	(2,902)	57,261
Extracurricular Activities	670,802	1,664,477	323,596	1,326,535
Debt Service:				
Interest and Fiscal Charges	6,432,046	7,453,884	5,793,775	6,811,387
Total Expenses	$ 66,360,430	$ 113,886,546	$ 50,655,913	$ 100,429,985

The dependence upon general revenues for governmental activities is apparent. Over 76 percent of governmental activities are supported through taxes and other general revenues; such revenues are 87 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

The classification of certain revenues was re-evaluated during fiscal year 2018. Table 3 has also been updated for fiscal year 2017 for comparability purposes.

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 general fund's net change in fund balance for fiscal year 2018 was an increase of $3,170,982, primarily caused by an increase in property tax revenue due to an increase in the amount available for advance.

The building fund's net change in fund balance for fiscal year 2018 was a decrease of $21,759,022. This was due to increased capital outlay for the new school buildings projects, offset by insurance recoveries and transfers from the general fund during the fiscal year. The debt proceeds were received in prior fiscal years.

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 of $99,692,005 was $6,855 higher than the final budget basis revenue and other financing sources of $99,685,150. For the general fund, original budget basis revenue and other financing sources of $101,300,140 was $1,614,990 higher than the final budget basis revenue and other financing sources. The majority of this difference was due to an overestimation of property tax revenue.

Final expenditure appropriations and other financing uses of $102,892,910 were $2,074,909 higher than the actual expenditures and other financing uses of $100,818,001, as a result of conservative budgeting.

Original expenditure appropriations and other financing uses were $1,927,440 lower than final expenditure appropriations and other financing uses with most expenditures originally estimated lower.

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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $91,720,508 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	Restated 2017
Land	$ 934,224	$ 934,224
Construction in Progress	31,448,523	11,368,458
Buildings and Improvements	57,206,312	49,157,953
Furniture and Fixtures	1,327,433	914,446
Vehicles	804,016	718,194
Totals	$ 91,720,508	$ 63,093,275

The $28,627,233 increase in capital assets was attributable to additional purchases exceeding current year depreciation and disposals, primarily related to the ongoing Phase I and II facilities projects. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2018, the School District had $163,790,000 in debt outstanding. See Notes 14 and 15 for additional details. Table 5 summarizes notes, bonds, and certificates of participation outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2018	2017
QSCB Tax Anticipation Notes	$ 8,625,000	$ 8,625,000
QSCB Certificates of Participation	4,320,000	4,320,000
LTGO Conservation Improvement Bonds	7,070,000	7,680,000
School Improvement Bonds	114,250,000	115,250,000
Tax Exempt Certificates of Participation	0	9,785,000
Certificates of Participation	29,525,000	18,195,000
Total	$ 163,790,000	$ 163,855,000

Current Issues

The Board of Education and administration have implemented fiscal management disciplines that utilize a variety of formal plans to ensure financial stability. They are working within the five-year financial forecast, the five-year capital repair and renovation plan, and a five-year enrollment projection analysis. The School District projects it has the necessary revenue base to support current and future program levels throughout the five year forecast reporting period. The School District projects a deficit of over $22,000,000 in fiscal year 2022.

As currently written, the state funding formula requires that community (charter) schools receive their funding through monthly deductions from school district funding allocations. For fiscal year 2018, the State deducted $1,110,998 from the School District's funding and redirected it to the various local community (charter) schools.

Just as there have been revenue pressures, the School District has also had to contend with rising costs. One of the more significant cost increases the School District has had to contend with, outside of unfunded state mandates, has been health care. The School District, like all other employers, has been impacted by the continuing national trend of rapidly escalating employee benefit costs due to the Affordable Care Act. In fiscal year 2018, for example, the School District will be responsible for making a $3,960 payment to the IRS.

The current fiscal plan recognizes the following open issues that must be addressed within the next five years:

- Judicial or legislative action on school funding reform
- Funding of the School District technology plan
- Development and funding of a technology replacement schedule
- Funding the educational improvement plan
- Updating the five-year forecast.

The School District has committed itself to a fiscal discipline based on long-term plans as well as commitment to full disclosure of financial information and utilization of the highest standards of financial reporting. The School District's commitment to improve fiscal management has led to many budgeting, reporting and internal control enhancements and improvements. The School District received the Auditor of State award for exemplary financial reporting in accordance with GAAP.

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 Bill Parkinson, Treasurer, Willoughby-Eastlake City School District, 32500 Chardon Rd., Willoughby Hills, OH 44094, or by email at bill.parkinson@weschools.org.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	$ 117,456,639
Cash and Investments Held with Trustee	6,223,909
Receivables:	
Accrued Interest	403,291
Accounts	244,559
Intergovernmental	1,084,659
Property Taxes	64,178,057
Due from External Parties	428,522
Nondepreciable Capital Assets	32,382,747
Depreciable Capital Assets (Net)	59,337,761
Total Assets	281,740,144
Deferred Outflows of Resources	
Deferred Charge on Refunding	1,816,560
Pension	37,545,386
OPEB	1,210,216
Total Deferred Outflows of Resources	40,572,162
Liabilities	
Accounts Payable	464,316
Accrued Wages and Benefits	8,741,990
Contracts Payable	5,237,723
Intergovernmental Payable	2,444,082
Retainage Payable	846,813
Matured Compensated Absences Payable	19,756
Accrued Interest Payable	996,544
Claims Payable	860,802
Long Term Liabilities:	
Due Within One Year	4,125,633
Due In More Than One Year:	
Net Pension Liability	119,840,971
Net OPEB Liability	27,027,393
Other Amounts Due in More Than One Year	177,075,656
Total Liabilities	347,681,679
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	50,195,081
Pension	4,726,943
OPEB	3,115,825
Total Deferred Inflows of Resources	58,037,849
Net Position	
Net Investment in Capital Assets	6,686,806
Restricted For:	
Capital Outlay	12,701,499
Debt Service	13,035,535
Other Purposes	1,093,187
Unrestricted	(116,924,249)
Total Net Position	$ (83,407,222)

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants and Contributions and Interest	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction:					
Regular	$ 13,338,063	$ 1,164,800	$ 172,285	$ 0	$ (12,000,978)
Special	5,177,137	82,045	4,983,875	0	(111,217)
Vocational	2,631,738	439,331	300,003	0	(1,892,404)
Adult/Continuing	630,143	560,025	323,872	0	253,754
Student Intervention Services	2,848,102	14,950	33,707	0	(2,799,445)
Other	118,799	0	0	0	(118,799)
Support Services:					
Pupils	3,612,062	0	51,826	0	(3,560,236)
Instructional Staff	1,399,065	0	242,861	0	(1,156,204)
Board of Education	17,842	0	0	0	(17,842)
Administration	3,881,311	221,719	340,530	0	(3,319,062)
Fiscal	2,329,029	0	0	698,413	(1,630,616)
Business	950,368	0	42,069	0	(908,299)
Operation and Maintenance of Plant	7,544,754	0	0	0	(7,544,754)
Pupil Transportation	9,695,968	0	971,734	0	(8,724,234)
Central	1,824,415	5,254	24,420	0	(1,794,741)
Operation of Non-Instructional Services:					
Food Service Operations	2,568,620	919,234	1,590,576	0	(58,810)
Community Services	670,130	0	735,898	776,675	842,443
Other	20,036	22,938	0	0	2,902
Extracurricular Activities	670,802	341,931	5,275	0	(323,596)
Debt Service:					
Interest and Fiscal Charges	6,432,046	0	638,271	0	(5,793,775)
Total	$ 66,360,430	$ 3,772,227	$ 10,457,202	$ 1,475,088	(50,655,913)

General Revenues	
Property Taxes Levied for:	
General Purposes	70,838,749
Debt Service	6,279,291
Capital Outlay	1,927,847
Payment in Lieu of Taxes	259,019
Grants and Entitlements Not Restricted to Specific Programs	25,731,809
Investment Earnings	32,610
Miscellaneous	402,030
Total General Revenues	105,471,355
Extraordinary Item *(See Note 2)*	6,197,596
Total General Revenues and Extraordinary Item	111,668,951
Change in Net Position	61,013,038
Net Position Beginning of Year - Restated, See Note 2	(144,420,260)
Net Position End of Year	$ (83,407,222)

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	$ 18,207,705	$ 87,356,757	$ 8,624,385	$ 114,188,847
Cash and Investments Held with Trustee	0	103,772	6,120,137	6,223,909
Receivables:				
Accrued Interest	55,555	347,736	0	403,291
Accounts	244,559	0	0	244,559
Interfund	525,100	0	0	525,100
Due from External Parties	428,522	0	0	428,522
Intergovernmental	150,468	0	934,191	1,084,659
Property Taxes	56,854,459	0	7,323,598	64,178,057
Total Assets	$ 76,466,368	$ 87,808,265	$ 23,002,311	$ 187,276,944
Liabilities				
Accounts Payable	$ 263,689	$ 8,082	$ 173,614	$ 445,385
Accrued Wages and Benefits	8,175,873	0	566,117	8,741,990
Contracts Payable	0	5,237,723	0	5,237,723
Intergovernmental Payable	2,222,631	0	221,451	2,444,082
Retainage Payable	0	846,813	0	846,813
Matured Compensated Absences Payable	19,756	0	0	19,756
Interfund Payable	0	0	525,100	525,100
Total Liabilities	10,681,949	6,092,618	1,486,282	18,260,849
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	44,467,132	0	5,727,949	50,195,081
Unavailable Revenue	1,668,151	0	378,654	2,046,805
Total Deferred Inflows of Resources	46,135,283	0	6,106,603	52,241,886
Fund Balances				
Nonspendable	5,928	0	0	5,928
Restricted	0	81,715,647	16,364,836	98,080,483
Committed	591,608	0	0	591,608
Assigned	18,942,169	0	0	18,942,169
Unassigned	109,431	0	(955,410)	(845,979)
Total Fund Balances	19,649,136	81,715,647	15,409,426	116,774,209
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 76,466,368	$ 87,808,265	$ 23,002,311	$ 187,276,944

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$ 116,774,209
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.		91,720,508
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	$ 193,174	
Charges and Other Fees	228,234	
Property Taxes	1,625,397	2,046,805
An internal service fund is used by management to charge the costs of insurance and other services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		2,388,059
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(996,544)
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.		1,816,560
The net pension and OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	37,545,386	
Deferred Outflows - OPEB	1,210,216	
Net Pension Liability	(119,840,971)	
Net OPEB Liability	(27,027,393)	
Deferred Inflows - Pension	(4,726,943)	
Deferred Inflows - OPEB	(3,115,825)	(115,955,530)
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	(121,320,000)	
Tax Anticipation Notes	(8,625,000)	
Bond Premium	(5,188,323)	
Certificates of Participation	(33,845,000)	
Early Retirement Incentive	(1,008,149)	
Healthcare Termination Benefits	(1,796,376)	
Compensated Absences	(9,418,441)	(181,201,289)
Net Position of Governmental Activities		$ (83,407,222)

See accompanying notes to the basic financial statements.

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

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	$ 70,968,956	$ 0	$ 8,215,767	$ 79,184,723
Intergovernmental	29,128,232	0	7,112,053	36,240,285
Investment Income	45,261	698,413	(12,651)	731,023
Tuition and Fees	1,217,574	0	787,000	2,004,574
Extracurricular Activities	262,183	0	183,411	445,594
Rentals	307,307	0	0	307,307
Charges for Services	123,279	0	919,234	1,042,513
Contributions and Donations	84,455	776,675	11,166	872,296
Payments in Lieu of Taxes	259,019	0	0	259,019
Miscellaneous	348,854	0	67,205	416,059
Total Revenues	102,745,120	1,475,088	17,283,185	121,503,393
Expenditures				
Current:				
Instruction:				
Regular	40,063,424	0	180,046	40,243,470
Special	10,660,340	0	2,158,796	12,819,136
Vocational	2,415,151	0	150,657	2,565,808
Adult Education	0	0	1,089,367	1,089,367
Student Intervention Services	3,480,480	0	41,901	3,522,381
Other	225,804	0	0	225,804
Support Services:				
Pupils	7,250,211	0	84,975	7,335,186
Instructional Staff	2,150,878	0	272,422	2,423,300
Board of Education	17,842	0	0	17,842
Administration	7,258,761	0	657,727	7,916,488
Fiscal	2,444,352	118,485	81,221	2,644,058
Business	965,631	0	74,050	1,039,681
Operation and Maintenance of Plant	7,291,592	0	0	7,291,592
Pupil Transportation	9,542,533	0	297,504	9,840,037
Central	2,135,940	0	52,994	2,188,934
Extracurricular Activities	1,459,817	0	136,255	1,596,072
Operation of Non-Instructional Services:				
Food Service Operations	0	0	2,804,096	2,804,096
Community Services	6,876	0	747,933	754,809
Other	20,036	0	0	20,036
Capital Outlay	3,992	30,752,505	0	30,756,497
Debt Service:				
Principal Retirement	317,574	0	1,667,426	1,985,000
Interest and Fiscal Charges	245,399	238,670	6,396,087	6,880,156
Total Expenditures	97,956,633	31,109,660	16,893,457	145,959,750
Excess of Revenues Over (Under) Expenditures	4,788,487	(29,634,572)	389,728	(24,456,357)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	60,450	0	60,000	120,450
Proceeds of Refunding Certificates of Participation	0	0	17,230,000	17,230,000
Premium on Refunding Certificates of Participation Issued	0	0	296,664	296,664
Payment to Refunded Certificates of Participation Agent	0	0	(17,169,959)	(17,169,959)
Transfers In	0	2,000,000	1,403,803	3,403,803
Transfers Out	(2,000,000)	0	(1,403,803)	(3,403,803)
Total Other Financing Sources (Uses)	(1,939,550)	2,000,000	416,705	477,155
Extraordinary Items				
Extraordinary Item *(See Note 2)*	322,045	5,875,550	0	6,197,595
Net Change in Fund Balance	3,170,982	(21,759,022)	806,433	(17,781,607)
Fund Balances Beginning of Year	16,478,154	103,474,669	14,602,993	134,555,816
Fund Balances End of Year	$ 19,649,136	$ 81,715,647	$ 15,409,426	$ 116,774,209

See accompanying notes and accountant's compilation report.

Willoughby-Eastlake City School District
Lake 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		$ (17,781,607)
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. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	$ 31,599,943	
Current Year Depreciation	(1,809,076)	29,790,867
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(1,163,634)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(138,837)	
Charges and Other Fees	(25,685)	
Intergovernmental	(162,998)	(327,520)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,985,000
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	8,618,038	
OPEB	313,073	8,931,111
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension	36,955,572	
OPEB	4,155,927	41,111,499
Issuance of refunding certificates of participation results in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statemet of net position as long-term liabilities.		
Refunding Certificates of Participation Series 2017	(17,230,000)	
Payments to Refunding Certificate of Participation Escrow Agent	17,169,959	(60,041)
In the statement of activities, interest is accrued on outstanding long-term debt and premium and gain/loss on refunding are amortized over the term of the debt, whereas in governmental funds, an interest expenditure is reported when debt is issued.		
Accrued Interest Payable	37,623	
Amortization of Refunding Loss	(43,399)	
Amortization of Premium on Bonds	157,222	151,446
The internal service fund used by management to charge the costs of insurance and and other services 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.		(1,798,038)
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	(617,454)	
Healthcare Termination Benefits	(24,421)	
Early Retirement Incentive	815,830	173,955
Change in Net Position of Governmental Activities		$ 61,013,038

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake 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	$ 101,300,140	$ 99,685,150	$ 99,692,005	$ 6,855
Expenditures and Other Financing Uses	100,965,470	102,892,910	100,818,001	2,074,909
Net Change in Fund Balance	334,670	(3,207,760)	(1,125,996)	2,081,764
Fund Balance Beginning of Year	14,930,715	14,930,715	14,930,715	0
Prior Year Encumbrances Appropriated	2,127,697	2,127,697	2,127,697	0
Fund Balance End of Year	$ 17,393,082	$ 13,850,652	$ 15,932,416	$ 2,081,764

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2018

	Governmental Activities - Internal Service Funds
Assets	
Current Assets	
Equity in Pooled Cash and Investments	$ 3,267,792
Liabilities	
Current Liabilities	
Accounts Payable	18,931
Claims Payable	860,802
Total Current Liabilities	879,733
Net Position	
Unrestricted	$ 2,388,059

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake 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 Funds
Operating Revenues	
Charges for Services	$ 8,139,592
Other	9,992
Total Operating Revenues	8,149,584
Operating Expenses	
Fringe Benefits	88,030
Purchased Services	1,114,940
Materials and Supplies	547,245
Claims	8,142,298
Other	55,109
Total Operating Expenses	9,947,622
Operating Loss	(1,798,038)
Net Position Beginning of Year	4,186,097
Net Position End of Year	$ 2,388,059

See accompanying notes to the basic financial statements.

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

	Governmental Activities - Internal Service Funds
Cash Flows From Operating Activities	
Cash Received from Customers	$ 8,139,592
Other Cash Receipts	9,992
Cash Paid for Goods and Services	(1,644,054)
Cash Paid for Employee Benefits	(87,230)
Cash Paid for Claims	(7,663,700)
Other Cash Payments	(55,109)
Net Cash Used By Operating Activities	(1,300,509)
Cash Flows From Non-Capital Financing Activities	
Advances from Other Funds	47,500
Advances to Other Funds	(93,000)
Net Cash Provided By Non-Capital Financing Activities	(45,500)
Net Decrease in Cash and Investments	(1,346,009)
Cash and Investments, Beginning of Year	4,613,801
Cash and Investments, End of Year	$ 3,267,792
Reconciliation of Operating Loss to Net Cash Used By Operating Activities	
Operating Loss	$ (1,798,038)
Adjustments:	
Increase (Decrease) in Liabilities:	
Accounts Payable	18,931
Claims Payable	478,598
Total Adjustments	497,529
Net Cash Used By Operating Activities	$ (1,300,509)

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	$ 131,317	$ 236,790
Accounts Receivable	0	433,144
Total Assets	131,317	$ 669,934
Liabilities		
Due to External Parties	0	428,522
Undistributed Monies	0	4,622
Due to Students	0	236,790
Total Liabilities	0	$ 669,934
Net Position		
Held in Trust for Scholarships	$ 131,317	

See accompanying notes to the basic financial statements.

Willoughby-Eastlake City School District
Lake 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	
Miscellaneous	$ 15,000
Investment Earnings	1,434
Total Additions	16,434
Deductions	
Payments in Accordance with Trust Agreements	21,500
Change in Net Position	(5,066)
Net Position Beginning of Year	136,383
Net Position End of Year	$ 131,317

See accompanying notes to the basic financial statements.

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally elected five-member board and provides educational services as mandated by State and federal agencies. The Board controls the School District's 13 instructional facilities, staffed by non-certified employees and certified full-time teaching and support personnel who provide services to students and other community members.

The School District is located in Lake County, Ohio and includes the cities of Willoughby, Eastlake, Willoughby Hills and Willowick and the villages of Lakeline, Timberlake, and Waite Hill.

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 Willoughby-Eastlake City School District, this includes general operations, food service and student related activities of the School District.

Non-Public Schools – Within the School District boundaries, there are various non-public schools. Current State legislation provides funding to these parochial schools. These monies are received and disbursed by the School District on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. These transactions are reported as a governmental activity on the financial statements 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; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or (4) the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in two jointly governed organizations and a related organization. These organizations are the Northwest Ohio Computer Association (NWOCA), the Ohio Schools Council and the Willoughby-Eastlake Public Library. These organizations are discussed in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also 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 fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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 is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Building Fund*** The building fund is used to account for the receipts and expenditures related to the construction and renovations of facilities of the School District being financed through debt proceeds.

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 Funds Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary funds are internal service funds.

> ***Internal Service Funds*** The 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 utilizes internal service funds to account for the operation of the School District's self-insurance program, for employee medical, surgical, prescription drug and dental benefits and warehouse services.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities, high school reunions and the local YMCA construction project in which the School District is serving as the construction manager as part of a multi-entity construction project.

Measurement Focus

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

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

Governmental fund financial statements therefore include 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 all liabilities associated with the operation of the fund are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses, and 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 internal service fund activity.

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

Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of 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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 as an inflow of resources (revenue) 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, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension 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 operating statement as an expense with a like amount reported as intergovernmental revenue.

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

Budgetary Process

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

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

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

Cash and Investments

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

During fiscal year 2018, investments were limited to federal securities, corporate bonds, negotiable certificates of deposit, money market funds and STAR Ohio.

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

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings (including fair market value adjustments for investments). Interest receipts credited to the General Fund during fiscal year 2018 was $45,261, which includes $15,339 assigned from other School District funds. Negative investment earnings may result from adjustments related to fair market value changes of investments.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments".

Capital Assets

The School District's only capital assets are general capital assets.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using appropriate price-level index to deflate the cost to acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of $5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

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

Description	Estimated Lives
Buildings and Improvements	20 - 99 years
Furniture and Equipment	10 - 15 years
Vehicles	5 - 15 years

Interfund Balances

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

Pensions and Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-Term Obligations

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

Net Position

Net position represents the difference between 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, none of the School District's net position was 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 Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

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 charges for services for self-insurance programs and warehouse shipments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the funds. All revenues and expenses not meeting these definitions are reported as non-operating.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. 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 Board of Education and that are either unusual in nature or infrequent in occurrence. During the fiscal year, the School District received insurance proceeds of $322,045 in the general fund and $5,875,550 in the building fund related to a fire and disposal of a School District administration building that occurred in a prior fiscal year. These proceeds meet the criteria of an extraordinary item.

Estimates

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

Implementation of New Accounting Principles and Restatement of Net Position

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

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

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

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

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

The impact of the implementation of GASB 75, along with the restatement of capital assets to adjust prior year amounts, had the following effect on beginning net position.

Net Position, June 30, 2017	$ (112,331,718)
Adjustments:	
Net OPEB Liability	(33,633,866)
Deferred Outflow-Payments Subsequent to Measurement Date	231,864
Depreciable Capital Assets	1,313,460
Restated Net Position, July 1, 2017	$ (144,420,260)

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	Building	Other Governmental Funds	Total
Nonspendable for:				
Unclaimed Monies	$ 5,928	$ 0	$ 0	$ 5,928
Restricted for:				
Debt Service	0	0	13,884,593	13,884,593
Capital Outlay	0	81,715,647	1,503,699	83,219,346
State Funded Programs	0	0	50,137	50,137
Federally Funded Programs	0	0	607,190	607,190
Extracurricular Activities	0	0	248,808	248,808
Other Purposes	0	0	70,409	70,409
Total Restricted	0	81,715,647	16,364,836	98,080,483
Committed for:				
Termination Benefits	591,608	0	0	591,608
Assigned for:				
Public School Support	306,750	0	0	306,750
Encumbrances:				
Instruction	403,647	0	0	403,647
Support Services	661,886	0	0	661,886
Extracurricular	39,099	0	0	39,099
Operations of Non-Instructional Services	2,888	0	0	2,888
Subsequent Year Appropriations	17,527,899	0	0	17,527,899
Total Assigned	18,942,169	0	0	18,942,169
Unassigned	109,431	0	(955,410)	(845,979)
Total Fund Balance	$ 19,649,136	$ 81,715,647	$ 15,409,426	$ 116,774,209

The following funds had a deficit fund balance as of June 30, 2018:

Other Governmental Funds:	
IDEA, Part B	$ 52,542
Title I	38,397
Post Secondary Vocational	189,416
Food Service	675,055

The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficits 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 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 on the budgetary basis for the general fund. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses 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 a component of assigned, committed or restricted fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund:

GAAP Basis	$	3,170,982
Net Adjustment for Revenue Accruals		(1,367,162)
Net Adjustment for Expenditure Accruals		(734,828)
Funds Budgeted Elsewhere		(510,521)
Adjustment for Encumbrances		(1,684,467)
Budget Basis	$	(1,125,996)

**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 unclaimed funds, special trust, uniform school supplies, special services, community education, rotary services, public school support, summer school, miscellaneous enterprise activities, and termination benefits.

Note 5 - Deposits and Investments

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed two hundred and seventy days in an amount not to exceed 40 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Funds Held by Trustee

Huntington National Bank acts as a trustee for the School District. Huntington National Bank held $6,120,137 on account as of June 30, 2018. This money is held in trustee accounts in a sinking fund for the repayment of bonds on March 1, 2021. Collateral is held on direct deposit with the Federal Reserve.

Huntington National Bank also holds, as a trustee, $103,772 in a "Certificate Fund." During 2015 and 2016, the School District entered into agreements to issue Certificates of Participation (See Note 15). As part of these agreements, there will be deposited, in the Certificate Fund, amounts transferred from the Project Fund pursuant to the terms of the Lease and the Assignment. These funds will be used solely and exclusively for the payment of Certificate Payments as they become due, except as otherwise provided in the Trust Agreement.

Investments

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

Ratings by S&P Gobal Ratings	Investment Type	Measurement Amount	Investment Maturities 12 Months or Less	12 to 36 Months	More Than 36 Months	Percent of Total
	Net Asset Value (NAV):					
AAAm	STAR Ohio	$ 105,973	$ 105,973	$ 0	$ 0	0.10%
AAAm	Federated Money Market	115,590	115,590	0	0	0.10%
	Fair Value:					
N/A	Negotiable Certificates of Deposit	1,714,372	495,677	1,218,695	0	1.49%
AA+	Federal Farm Credit Bank	32,024,417	13,784,128	16,323,689	1,916,600	27.86%
AA+	Federal National Mortgage Association	35,069,860	8,968,490	26,101,370	0	30.51%
AA+	Federal Home Loan Bank	31,331,683	28,138,356	1,275,867	1,917,460	27.25%
AA+	Federal Home Loan Mortgage	8,719,558	3,784,454	3,692,004	1,243,100	7.58%
AA+	Federal Agricultural Mortgage Corporation	2,000,900	2,000,900	0	0	1.74%
Aaa	Corporate Bonds	3,877,141	0	2,716,981	1,160,160	3.37%
	Total Investments	$ 114,959,494	$ 57,393,568	$ 51,328,606	$ 6,237,320	100.00%

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

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the School District's investment portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk 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. The School District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

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 Lake 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	$ 1,447,640,790	94%	$ 1,454,454,860	95%
Public Utility Personal Property	99,470,360	6%	76,372,610	5%
Total Assessed Values	$ 1,547,111,150	100%	$ 1,530,827,470	100%
Tax rate per $1,000 of assessed valuation	$ 64.48		$ 64.33	

Note 7 - Receivables

Receivables at June 30, 2018, consisted of property taxes, accrued interest, interfund, accounts (for governmental funds-customer services and student fees; for the YMCA Agency fund (outstanding bank drawdowns for construction expenses) amounts due from external parties and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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Note 8 - Capital Assets

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

	Restated Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 934,224	$ 0	$ 0	$ 934,224
Construction in Progress	11,368,458	29,726,093	(9,646,028)	31,448,523
Total Capital Assets Not Being Depreciated	12,302,682	29,726,093	(9,646,028)	32,382,747
Capital Assets Being Depreciated				
Buildings and Improvements	70,088,866	10,605,948	(2,246,644)	78,448,170
Furniture and Equipment	2,355,317	572,730	(5,300)	2,922,747
Vehicles	5,084,018	341,200	(625,385)	4,799,833
Total Capital Assets Being Depreciated	77,528,201	11,519,878	(2,877,329)	86,170,750
Less: Accumulated Depreciation				
Buildings and Improvements	(20,930,913)	(1,397,810)	1,086,865	(21,241,858)
Furniture and Equipment	(1,440,871)	(159,743)	5,300	(1,595,314)
Vehicles	(4,365,824)	(251,523)	621,530	(3,995,817)
Total Accumulated Depreciation	(26,737,608)	(1,809,076) *	1,713,695	(26,832,989)
Total Capital Assets Being Depreciated, Net	50,790,593	9,710,802	(1,163,634)	59,337,761
Governmental Activities Capital Assets, Net	$ 63,093,275	$ 39,436,895	$ (10,809,662)	$ 91,720,508

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 511,588
Vocational	79,823
Adult Continuing	2,124
Support Services:	
Pupils	34,613
Administration	9,794
Fiscal	32,027
Business	13,260
Operation and Maintenance of Plant	791,864
Pupil Transportation	178,365
Central	24,418
Operation of Non-Instructional Services:	
Food Service Operations	17,092
Community Services	3,836
Extracurricular Activities	110,272
Total Depreciation Expense	$ 1,809,076

Note 9 – Interfund Transactions

Interfund Transfers

Interfund transfers at June 30, 2018 consisted of a transfer from the permanent improvement fund in the amount of $1,403,803 to the debt service fund for the payment of capital related debt. Insurance proceeds from the prior year in the amount of $2,000,000 were transferred from the general fund to the building fund.

Interfund Balances

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

	Interfund Receivable	
Interfund Payable	General	
Nonmajor Special Revenue Funds:		
Food service	$	364,000
Auxiliary Services		88,500
Post Secondary Vocational Education		18,500
Public Preschool		1,150
IDEA, Part B		46,500
IDEA, Preschool		2,850
Improving Teacher Quality		3,600
Total	$	525,100

The primary purpose of the interfund balance is to cover costs in the fund where revenues were not received by June 30. This interfund balance will be repaid once the anticipated revenues are received. These advances are expected to be repaid within one year. Interfund loans between governmental activities are eliminated on the statement of net position.

Due to/Due from External Parties

During fiscal year 2017, the School District began acting as the construction agent for the YMCA. All of the construction activity is reported in an agency fund. All outstanding expenses and subsequent reimbursements between the primary government and the YMCA (agency fund) are being recorded as Due to/Due from External Parties for financial statement purposes. As of June 30, 2018, the agency fund reported $433,144 in accounts receivable for qualifying drawn down proceeds related to incurred expenses. The general fund, acting as qualifying construction agent, may at times incur and pay costs of the YMCA project. Any costs associated with the YMCA are not reported within the general fund. Costs paid by the general fund at year end resulted in the YMCA agency fund having a negative cash balance. As of June 30, 2018, the YMCA agency fund owes the general fund $428,522 which is reported as Due to/Due from External Parties within the financial statements to account for negative cash balances. All monies are expected to be repaid to the School District within one year.

Note 10 - 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. During fiscal year 2018, the School District was part of a group purchasing consortium of public school districts in Northeast Ohio. The consortium placed coverage through the Liberty Mutual Insurance Company. The company carried the property insurance (which includes inland marine, earthquake, and crime), the fleet insurance and covered the boilers and machinery.

The School District contracted with Liberty Mutual Insurance Company for liability coverage with limits of liability of $1,000,000 per claim and $2,000,000 aggregate to insure the School District, the board members, all administrators, certified and classified employees and volunteers. Additionally, the School District purchased an umbrella policy for additional $15,000,000 coverage.

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The School District pays a premium to the Ohio Bureau of Workers' Compensation based on a rate per $100 of payroll. This rate itself based upon average costs for all school districts in Ohio. The School District rates are modified based on the actual accident history. The School District participates in the Ohio Bureau of Workers' Compensation's retrospective rating program. The program is a paid loss retro with the School District paying reduced premium and then reimbursing the Ohio Bureau of Workers' Compensation for actual claims costs over a number of years. Employer's Risk Solutions Company provides cost control and actuarial service to the School District.

Employee Medical Benefits

The School District provides medical, surgical, prescription drug and dental benefits to its employees on a self-insured basis. A third party, Medical Mutual, reviews all claims which are then paid by the School District. A premium is paid by the fund that pays the salary for the employee and is based on historical cost information. The School District maintains stop-loss coverage for its insurance program. Aggregate stop-loss is maintained at $7,778,761 for the one year period ending June 30, 2018.

The claims liability of $860,802 reported in the internal service fund at June 30, 2018 is estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount for the last two fiscal years are listed as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2017	$ 472,249	$ 7,275,591	$ 7,365,636	$ 382,204
2018	$ 382,204	$ 8,142,298	$ 7,663,700	$ 860,802

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 13.5 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 $2,016,746 for fiscal year 2018. Of this amount, $95,013 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 $6,601,292 for fiscal year 2018. Of this amount, $1,269,539 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	0.42205600%	0.39832963%	
Prior Measurement Date	0.42696580%	0.39877961%	
Change in Proportionate Share	-0.00490980%	-0.00044998%	
Proportionate Share of the Net Pension Liability	$ 25,216,914	$ 94,624,057	$ 119,840,971
Pension Expense	$ (1,208,244)	$ (35,747,328)	$ (36,955,572)

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	$ 1,085,250	$ 3,653,938	$ 4,739,188
Changes of Assumptions	1,303,986	20,695,321	21,999,307
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	109,497	2,079,356	2,188,853
School District Contributions Subsequent to the Measurement Date	2,016,746	6,601,292	8,618,038
Total Deferred Outflows of Resources	$ 4,515,479	$ 33,029,907	$ 37,545,386

	SERS	STRS	Total
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 762,633	$ 762,633
Net Difference between Projected and Actual Earnings on Pension Plan Investments	119,699	3,122,705	3,242,404
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	721,906	0	721,906
Total Deferred Inflows of Resources	$ 841,605	$ 3,885,338	$ 4,726,943

$8,618,038 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	$ 709,206	$ 5,047,614	$ 5,756,820
2020	1,225,826	9,295,565	10,521,391
2021	309,956	6,546,415	6,856,371
2022	(587,860)	1,653,683	1,065,823
	$ 1,657,128	$ 22,543,277	$ 24,200,405

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	$ 34,994,523	$ 25,216,914	$ 17,026,172

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	$ 135,640,366	$ 94,624,057	$ 60,073,965

Assumption Changes since the Prior Measurement Date

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

Benefit Term Changes since the Prior Measurement Date

Effective July 1, 2017, the COLA was reduced to zero.

Note 12 - Defined Benefit OPEB Plans

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 $238,379.

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 $313,073 for fiscal year 2018. Of this amount $241,898 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	0.42798680%	0.39832963%	
Prior Measurement Date	0.43176954%	0.39877961%	
Change in Proportionate Share	-0.00378274%	-0.00044998%	
Proportionate Share of the Net OPEB Liability	$ 11,486,041	$ 15,541,352	$ 27,027,393
OPEB Expense	$ 589,892	$ (4,745,819)	$ (4,155,927)

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	$ 897,143	$ 897,143
School District Contributions Subsequent to the Measurement Date	313,073	0	313,073
Total Deferred Outflows of Resources	$ 313,073	$ 897,143	$ 1,210,216
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$ 30,332	$ 664,274	$ 694,606
Changes of Assumptions	1,089,966	1,251,908	2,341,874
Changes in Proportionate Share and Differences between School District Contributions and Proportionate Share of Contributions	58,718	20,627	79,345
Total Deferred Inflows of Resources	$ 1,179,016	$ 1,936,809	$ 3,115,825

$313,073 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	$ (423,772)	$ (228,633)	$ (652,405)
2020	(423,772)	(228,633)	(652,405)
2021	(323,889)	(228,633)	(552,522)
2022	(7,583)	(228,635)	(236,218)
2023	0	(62,565)	(62,565)
Thereafter	0	(62,567)	(62,567)
	$ (1,179,016)	$ (1,039,666)	$ (2,218,682)

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	$ 13,870,857	$ 11,486,041	$ 9,596,658

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 9,320,062	$ 11,486,041	$ 14,352,752

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	$ 20,864,016	$ 15,541,352	$ 11,334,709

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 10,797,466	$ 15,541,352	$ 21,784,863

Note 13 - Employee Benefits

Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 22 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and a quarter days per month. Upon retirement, an employee is paid for 30 percent of accumulated sick days up to a maximum of 260 accumulated sick days.

Early Retirement Incentive and Health Care Termination Benefit Payable

Classified Employees

A retiree receives severance pay at the per diem rate for the actual number of unused sick leave days credited to the employee at the actual time of retirement. The number of unused sick days paid will be thirty percent of a maximum of 260 days plus converted personal days. Payment is made in one lump sum within 60 days of the effective date of retirement. The rate of pay is that of the highest daily rate of the employee's highest year in the preceding ten years. Any employee who is currently eligible for retirement with SERS may receive a retirement incentive bonus if certain qualifications are met. The eligible employee receives $5,000 if he/she retires in accordance with program guidelines by July 1 of their first year of eligibility. Eligible employees who choose not to retire in their first year of eligibility but retire by July 1 of their second year receive an incentive of $2,500. An employee who chooses to retire after the second year will not be eligible to receive any retirement bonus. The incentive bonus will be made in two payments beginning January of the next two succeeding years with 60 percent paid on the first payment and 40 percent in the second payment.

Certified Employees

A retiree receives severance pay at the per diem rate for the actual number of unused sick leave days credited to the employee at the actual time of retirement. The number of unused sick days paid will be thirty percent of the maximum of 260 days plus converted personal days. An early retirement incentive of $40,000 and a health reimbursement account (HRA) of $30,000 is paid to those teachers who retire in their first year of eligibility for retirement. The incentive bonus is paid in equal installments in the five Januaries following the date of retirement and paid as a reimbursement upon the presentation of receipts for qualifying medical expenses.

Life Insurance

The School District provides life insurance in the amount of $20,000 and $50,000 to food service employees who work 10 to 20 hours and to other employees (excluding substitutes) who regularly work a minimum of 20 hours per week, respectively. Employees are also given the option to purchase additional term life insurance through a payroll deduction.

Note 14 - Long-Term Obligations

The original issue date, interest rate, original issuance and date of maturity for each of the School District's long-term obligations are as follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation Bonds:				
Energy Conservation Improvement				
Serial	2012	1.00% - 3.75%	$ 8,589,000	9/1/27
Energy Conservation Improvement				
Serial	2015	3.00%	1,300,000	1/1/29
School Improvement Refunding				
Serial and Term	2016	2.00% - 5.00%	115,750,000	12/1/50

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

Governmental Activities	Restated Balance 06/30/2017	Additions	Deductions	Balance 06/30/2018	Due Within One Year
Long Term Debt:					
QSCB Tax Anticipation Notes	$ 8,625,000	$ 0	$ 0	$ 8,625,000	$ 0
Energy Conservation Improvement Bonds - 2012	6,520,000	0	(535,000)	5,985,000	540,000
Energy Conservation Improvement Bonds - 2014	1,160,000	0	(75,000)	1,085,000	75,000
School Improvement Bonds - 2016	115,250,000	0	(1,000,000)	114,250,000	1,075,000
Premium	5,345,545	0	(157,222)	5,188,323	0
Total Long Term Debt	136,900,545	0	(1,767,222)	135,133,323	1,690,000
Capital Leases:					
Certificates of Participation, Series 2011A	4,320,000	0	0	4,320,000	0
Certificates of Participation, Series 2011B	9,785,000	0	(9,785,000)	0	0
Certificates of Participation, Series 2013	6,095,000	0	(5,660,000)	435,000	140,000
Certificates of Participation, Series 2014	6,490,000	0	0	6,490,000	0
Certificates of Participation, Series 2015	5,610,000	0	0	5,610,000	235,000
Certificates of Participation, Series 2017	0	17,230,000	(240,000)	16,990,000	90,000
Total Capital Leases	32,300,000	17,230,000	(15,685,000)	33,845,000	465,000
Net Pension/OPEB Liability:					
Pension	164,733,513	0	(44,892,542)	119,840,971	0
OPEB	33,633,866	0	(6,606,473)	27,027,393	0
Total Net Pension/OPEB Liability	198,367,379	0	(51,499,015)	146,868,364	0
Other Long Term Liabilities:					
Early Retirement Incentive	1,823,979	265,189	(1,081,019)	1,008,149	499,838
Healthcare Termination Benefits	1,771,955	330,171	(305,750)	1,796,376	170,815
Compensated Absences	8,800,987	1,388,849	(771,395)	9,418,441	1,299,980
Total Other Long Term Liabilities	12,396,921	1,984,209	(2,158,164)	12,222,966	1,970,633
Total Governmental Activities Long-Term Obligations	$ 379,964,845	$ 19,214,209	$ (71,109,401)	$ 328,069,653	$ 4,125,633

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

Debt payments will be paid from the general and debt service funds. The early retirement incentive, healthcare termination benefits and compensated absences will be paid from the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

On March 22, 2011, the School District issued $8,625,000 of Qualified School Construction Bonds (QSCB) tax anticipation notes with an interest rate of 5.294 percent. The proceeds will be used for various construction and improvement projects throughout the School District. The notes mature on March 1, 2021. The School District is required to make annual sinking fund payments of $862,500 for nine consecutive years starting March 1, 2012.

On March 9, 2016, the School District issued general obligation school improvement bonds. These bonds were issued with a premium of $5,502,767, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method.

These bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2032 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2033	$2,765,000
2034	2,920,000

The term bonds that mature in fiscal year 2035, with an interest rate of 3.375 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2036 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2035	$3,080,000
2036	3,250,000
2037	3,425,000

The term bonds that mature in fiscal year 2038, with an interest rate of 3.75 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2037 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2038	$3,605,000
2039	3,810,000
2040	4,020,000
2041	4,240,000
2042	4,465,000

The term bonds that mature in fiscal year 2043, with an interest rate of 5.00 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2042 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2043	$4,705,000
2044	5,010,000
2045	5,330,000
2046	5,670,000
2047	6,025,000

The term bonds that mature in fiscal year 2048, with an interest rate of 4.00 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2047 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2048	$6,400,000
2049	6,730,000
2050	7,075,000
2051	7,435,000

The term bonds maturing after December 1, 2026 are subject to optional redemption, in whole or in part, on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2025.

Principal and interest requirements to retire the debt outstanding at June 30, 2018 are as follows:

	Energy Conservation Improvement Bonds		QSCB Tax Anticipation Notes		School Improvement Bonds		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 615,000	$ 183,794	$0	$ 456,608	$ 1,075,000	$ 4,558,969	$ 1,690,000	$ 5,199,370
2020	635,000	170,519	0	456,608	1,155,000	4,536,669	1,790,000	5,163,795
2021	645,000	156,919	8,625,000	456,608	1,235,000	4,512,769	10,505,000	5,126,295
2022	660,000	143,044	0	0	1,315,000	4,487,269	1,975,000	4,630,313
2023	670,000	128,528	0	0	1,400,000	4,453,119	2,070,000	4,581,647
2024-2028	3,635,000	346,569	0	0	8,665,000	21,415,557	12,300,000	21,762,126
2029-2033	210,000	6,300	0	0	12,210,000	19,307,089	12,420,000	19,313,389
2034-2038	0	0	0	0	16,280,000	16,803,828	16,280,000	16,803,828
2039-2043	0	0	0	0	21,240,000	13,376,470	21,240,000	13,376,470
2044-2048	0	0	0	0	28,435,000	7,688,125	28,435,000	7,688,125
2049-2051	0	0	0	0	21,240,000	1,302,600	21,240,000	1,302,600
	$ 7,070,000	$ 1,135,672	$ 8,625,000	$ 1,369,823	$ 114,250,000	$ 102,442,464	$ 129,945,000	$ 104,947,958

Note 15 – Capitalized Leases

The School District is leasing several project sites from the Ohio School Building Leasing Corporation ("Lessor"). The Ohio School Building Leasing Corporation assigned The Huntington National Bank as Trustee ("Trustee"), transferring rights, title and interest in the projects to the Trustee. The School District is acting as an agent for the Lessor, and is constructing or improving the facilities from the proceeds provided by the Lessor. These Projects consist of the construction, enlarging and other improvements, furnishing and equipping and lease and eventual acquisition of improvements to School District buildings and building sites and related improvements.

The School District will make annual lease payments to Huntington National Bank.

The land and existing improvements included in the leased property are owned by the School District and are leased to the corporation pursuant to the ground lease. A portion of the proceeds of Certificates is expected to be used to pay costs of School District buildings and building sites not included in the Leased Property.

Title to the improvements on the Leased Property, and the right of possession of the Leased Property, will transfer to the School District at the end of the Ground Lease. The School District's obligation to pay lease payments does not constitute a debt of the School District within the meaning of any constitutional or statutory limitation. Certificate of Participation (COP's) payments will be made solely from amounts derived under the Lease, including lease payments.

The term of these leases consists of a series of one-year terms, each ending on June 30, except the final lease term, which ends on the final lease payment date. The ground lease term ends five years after the final lease term. Clear title to and right of possession of the leased property will transfer to the School District upon the expiration of the ground lease term.

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity	Property or Purpose
Capital Leases:					
Certificates of Participation, Series 2011A	2011	5.00%	$ 4,320,000	3/1/26	North High, South High & Edison Elementary
Certificates of Participation, Series 2011B	2011	6.544%	9,785,000	3/1/41	North High, South High & Edison Elementary
Certificate of Participation, Series 2013	2013	2.13% - 5.13%	6,780,000	3/1/43	North High, South High & Edison Elementary
Certificate of Participation, Series 2014	2014	2.25% - 4.00%	6,490,000	3/1/39	Office Building & building site
Certificate of Participation, Series 2015	2015	2.25% - 5.13%	5,610,000	3/1/40	Northern Career Institute, Willoughby Campus
Certificate of Participation, Series 2017	2017	3.00% - 5.00%	17,230,000	3/1/43	Refunding of Series 2011B & 2013 COPs

2011 - 2014 Certificates of Participation

During fiscal years 2011 and 2014, the School District entered into three lease-purchase agreements for various construction and improvement projects throughout the School District.

The current term of the Series 2011 leases ended on June 30, 2011, however the School District has the right to renew the Leases for successive one-year terms, each ending June 30, except the final Lease Term, which ends on March 1, 2041. The Ground Lease term ends March 1, 2046.

The current term of the Series 2013 and 2014 leases ended on June 30, 2014, however the School District has the right to renew the Leases for successive one-year terms, each ending June 30, except the final Lease Term, which ends on March 1, 2034. The Ground Lease term ends March 1, 2048.

As part of the Certificates of Participation agreements, the agreements contain Mandatory Redemption, Optional Redemption, Extraordinary Optional/Mandatory Redemption, and Special Redemption options. Copies of these agreements can be obtained from the Treasurer of Willoughby-Eastlake City School District at 32500 Chardon Road, Willoughby Hills, OH 44094, or by email at bill.parkinson@weschools.org.

The School District is required to make annual sinking fund payments on the Series 2011A Certificate in the amount of $864,000 for five consecutive years starting March 1, 2022. The payments will be held with the Trustee and will be used solely to pay the principal component of the base rent attributable to the series 2011A certificates when due. No principal payments have been made.

Payments will be made on the Series 2011 lease from the debt service fund. Payments for the Series 2013 and 2014 leases are made from the general fund.

$14,105,000 of capital assets acquired by the Series 2011 lease have been capitalized as buildings and improvements.

2015 Certificates of Participation

During fiscal year 2016, the School District entered into a lease-purchase agreement for the acquisition of a commercial building and related building site for a new technical career school.

The Series 2015 Certificates maturing on or after March 1, 2021 are subject to prior redemption on any date, by and at the sole option of the Board, in whole or in part as selected by the Board (in whole multiples of $5,000), on or after March 1, 2020, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date. Any Term Series 2015 Certificates are subject to mandatory sinking fund redemption. The Certificates are also subject to special redemption. The proceeds received from the sale of the Series 2015 Certificates will be used (a) to provide for the acquisition, construction, enlarging and other improvement, furnishing and equipping and lease and eventual acquisition of a school building and building site for a new technical career school, and (b) to pay costs relating to the sale of the Series 2015 Certificates.

The current Lease Term commenced as of July 1, 2017 and expires on June 30, 2018. Each renewal of the Lease will be for a renewal Lease Term (Renewal Term) beginning July 1 and ending June 30 of the subsequent year, except that the final Renewal Term will end on March 1, 2040.

Payments will be made on the lease from the debt service fund.

$5,658,091 of capital assets acquired by the Series 2015 lease have been capitalized as buildings and improvements. Accumulated depreciation was $85,729 as of June 30, 2018.

2017 Certificates of Participation

In December 2017 the School District issued $17,230,000 in certificates of participation to partially refund the Series 2011B and 2013 certificates of participation. The proceeds of the certificates were used to refund $9,785,000 of the School District's 2011 Series B tax exempt certificates and $5,525,000 of the Series 2013 certificates. The certificates were issued for a 25 year period with final maturity at March 1, 2043.

These refunding certificates were issued with a premium of $296,664, which is reported as interest expense in the current year.

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 $103,380. The issuance resulted in an economic gain of $1,671,050. The refunded certificates are considered defeased (in-substance) and accordingly, have been removed from the statement of net position. The principal balance outstanding of the defeased certificates was $15,310,000 at June 30, 2018.

Payments for the lease will be made from the general and debt service funds.

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

Year ending June 30,	
2019	$ 2,049,698
2020	2,291,623
2021	2,291,285
2022	2,018,863
2023	2,024,651
2024-2028	14,080,249
2029-2033	10,180,710
2034-2038	10,980,937
2039-2043	6,089,856
	52,007,871
Less amount representing interest	(18,162,871)
Present Value of minimum lease payments	$ 33,845,000

Note 16 - Set-Asides

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

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

	Capital Improvements
Set-Aside Restricted Balance June 30, 2017	$ 0
Current Year Set-Aside Requirement	1,385,015
Current Year Offsets	(2,027,007)
Total	$ (641,992)
Set-Aside Balance Carried Forward to Fiscal Year 2019	$ 0
Set-Aside Restricted Balance June 30, 2018	$ 0

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

Note 17 – Jointly Governed Organizations

Northwest Ohio Computer Association

The School District is a participant in NWOCA (Northwest Ohio Computer Association). NWOCA is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, and Williams Counties. 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 educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2018, the School District paid $160,053 to NWOCA for various services. Financial information can be obtained from Robin Pfund, who serves as Treasurer, 209 Nolan Parkway, Archbold, Ohio 43502.

The Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 200 school districts, educational service centers and joint vocational schools. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the board. In fiscal year 2018, the School District paid $204,905 to the Council. Financial information can be obtained by contacting William Zelei, Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. There are approximately 150 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Note 18 – Related Organization

The Willoughby-Eastlake Public Library (the Library) is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Willoughby-Eastlake City School District Board of Education. 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. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Willoughby-Eastlake Public Library, Ms. Victoria Simmons, Fiscal Officer, at 35150 Lakeshore Blvd., Eastlake, Ohio 44095.

Note 19 – Significant Commitments

Encumbrance Commitments

Outstanding encumbrances for governmental funds include $1,130,499 for the general fund, $3,295,821 for the building fund and $15,358 for nonmajor governmental funds.

Contractual Commitments

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

	Amount of Contract	Expenditures as of 6/30/2018	Amount Remaining
South High Complex	$ 55,942,890	$ 13,937,740	$ 42,005,150
Administration Building	5,744,498	1,229,290	4,515,208
Bus Garage	1,620,985	418,476	1,202,509
Longfellow Elementary	17,807,088	5,231,636	12,575,452
North High School	38,689,670	10,631,380	28,058,290
	$ 119,805,131	$ 31,448,522	$ 88,356,609

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

Note 20 - 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 Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, 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 21 – Subsequent Events

On July 12, 2018, the School District issued Certificates of Participation in the amount of $8,220,000. The Certificates were issued with interest rates ranging from 3.00 percent to 4.00 percent and will mature on March 1, 2042.

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Willoughby Eastlake City School District
Lake 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	0.42205600%	0.42696580%	0.43769250%	0.43083900%	0.43083900%
School District's Proportionate Share of the Net Pension Liability	$ 25,216,914	$ 31,249,957	$ 24,975,158	$ 21,804,516	$ 25,620,613
School District's Covered Payroll	$ 13,814,986	$ 10,439,993	$ 9,842,716	$ 9,852,128	$ 11,251,987
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	182.53%	299.33%	253.74%	221.32%	227.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)					
School District's Proportion of the Net Pension Liability	0.39832963%	0.39877961%	0.38995379%	0.38491924%	0.38491924%
School District's Proportionate Share of the Net Pension Liability	$ 94,624,057	$ 133,483,556	$ 107,771,821	$ 93,625,680	$ 111,526,298
School District's Covered Payroll	$ 45,102,621	$ 41,947,143	$ 41,219,850	$ 38,997,438	$ 37,928,138
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	209.80%	318.22%	261.46%	240.08%	294.05%
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.

Willoughby Eastlake City School District
Lake 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	$ 2,016,746	$ 1,934,098	$ 1,461,599	$ 1,297,270
Contributions in Relation to the Contractually Required Contribution	(2,016,746)	(1,934,098)	(1,461,599)	(1,297,270)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 14,938,859	$ 13,814,986	$ 10,439,993	$ 9,842,716
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 6,601,292	$ 6,314,367	$ 5,872,600	$ 5,770,779
Contributions in Relation to the Contractually Required Contribution	(6,601,292)	(6,314,367)	(5,872,600)	(5,770,779)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 47,152,086	$ 45,102,621	$ 41,947,143	$ 41,219,850
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
$ 1,365,505	$ 1,557,275	$ 2,039,231	$ 1,731,881	$ 1,968,459	$ 1,418,233
(1,365,505)	(1,557,275)	(2,039,231)	(1,731,881)	(1,968,459)	(1,418,233)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 9,852,128	$ 11,251,987	$ 15,161,569	$ 13,777,892	$ 14,538,102	$ 14,412,937
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
$ 5,069,667	$ 4,930,658	$ 5,714,742	$ 5,582,155	$ 5,783,819	$ 5,471,210
(5,069,667)	(4,930,658)	(5,714,742)	(5,582,155)	(5,783,819)	(5,471,210)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 38,997,438	$ 37,928,138	$ 43,959,554	$ 42,939,654	$ 44,490,915	$ 42,086,231
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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Willoughby Eastlake City School District
Lake 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	0.42798680%	0.43176954%
School District's Proportionate Share of the Net OPEB Liability	$ 11,486,041	$ 12,307,029
School District's Covered Payroll	$ 13,814,986	$ 10,439,993
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.14%	117.88%
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	0.39832963%	0.39877961%
School District's Proportionate Share of the Net OPEB Liability	$ 15,541,352	$ 21,326,837
School District's Covered Payroll	$ 45,102,621	$ 41,947,143
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	34.46%	50.84%
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.

Willoughby Eastlake City School District
Lake 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)	$ 313,073	$ 231,864	$ 214,558	$ 293,566
Contributions in Relation to the Contractually Required Contribution	(313,073)	(231,864)	(214,558)	(293,566)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 14,938,859	$ 13,814,986	$ 10,439,993	$ 9,842,716
OPEB Contributions as a Percentage of Covered Payroll (1)	2.10%	1.68%	2.06%	2.98%
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	$ 47,152,086	$ 45,102,621	$ 41,947,143	$ 41,219,850
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge
n/a - Information not readily available.

See accompanying notes to the required supplementary information.

	2014	2013	2012	2011	2010	2009
	$ 150,031	$ 147,753	$ 83,389	n/a	n/a	n/a
	(150,031)	(147,753)	(83,389)	n/a	n/a	n/a
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 9,852,128	$ 11,251,987	$ 15,161,569	$ 13,777,892	$ 14,538,102	$ 14,412,937
	1.52%	1.31%	0.55%	n/a	n/a	n/a
	$ 389,974	$ 379,281	$ 439,596	$ 429,397	$ 444,909	$ 420,862
	(389,974)	(379,281)	(439,596)	(429,397)	(444,909)	(420,862)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 38,997,438	$ 37,928,138	$ 43,959,554	$ 42,939,654	$ 44,490,915	$ 42,086,231
	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

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

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

Changes in Benefit Terms - SERS

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

Changes in Assumptions – STRS

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

Changes in Benefit Terms - STRS

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

Note 2 - Net OPEB Liability

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

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

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WILLOUGHBY- EASTLAKE CITY SCHOOL DISTRICT
LAKE COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	$268,019
National School Lunch Program	10.555	1,145,036
National School Lunch Program- Non-Cash Assistance	10.555	177,521
Total- National School Lunch Program		1,322,557
Total U.S. Department of Agriculture/Child Nutrition Cluster		**1,590,576**
U.S. DEPARTMENT OF EDUCATION		
Direct Programs:		
Student Financial Aid Cluster		
Federal Pell Grant Programs	84.063	422,457
Federal Direct Student Loans	84.268	776,134
Total- Student Financial Aid Cluster		1,198,591
Passed Through Ohio Department of Education:		
Special Education Cluster:		
Special Education Grants to States	84.027	163,079
		1,646,378
Total- Special Education Grants to States		1,809,457
Special Education Preschool Grants	84.173	98
		57,534
Total- Special Education Preschool Grants		57,632
Total -Special Education Cluster		1,867,089
Title I Grants to Local Educational Agencies	84.010	162,202
		765,487
		927,689
Supporting effective Instruction State Grants	84.367	15,260
		219,506
		234,766
English Language Acquisition State Grant	84.365	30,682
Student Support and Academic Enrichment Program	84.424	10,622
School Safety National Activities	84.184	42,558
Total U.S. Department of Education		**4,311,997**
Total Federal Awards Expenditures		**$5,902,573**

The accompanying notes are an integral part of this schedule.

WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT
LAKE COUNTY

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

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

Program Title	CFDA Number	Amt. Transferred
Special Education - Grants to States		
FY 2016 to FY 2017	84.027	$7,469
School Safety National Activities		
FY 2018 to FY 2019	84.184	44,560

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

Willoughby-Eastlake City School District
Lake County
32500 Chardon Road
Willoughby-Hills, Ohio 44094

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 Willoughby-Eastlake City School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 1, 2019 wherein we noted the District restated its Governmental Activities net position to account for certain capital asset adjustments and also adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

Internal Control Over Financial Reporting

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 report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2019

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

Willoughby-Eastlake City School District
Lake County
32500 Chardon Road
Willoughby Hills, Ohio 44094

To the Board of Education:

Report on Compliance for each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2019

WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT
LAKE 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, CFDA 10.553 and 10.555; ➢ Special Education Cluster, CFDA 84.027 and 84.173.
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 26, 2019