Ashtabula Area City School District

Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Ashtabula Area City School District

For the Fiscal Year Ended June 30, 2018

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Ashtabula Area City School District

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

Financial Highlights

Key financial highlights for the fiscal year 2018 are as follows:

- For the fiscal year ended June 30, 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement resulted in the restatement of net position as of June 30, 2017 for the governmental activities. See Note 3 for additional information regarding the restatement.

- Total net position of governmental activities increased $16,876,133, which represents a 37.64% increase from 2017 net position. This change is primarily due to the change in net pension liability and net OPEB liability.

- Total general revenues equaled $43,974,378 or 84.63% of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for $7,989,154 or 15.37 percent of total revenues.

- The District had $35,087,399 in expenses related to governmental activities; $7,989,154 of these expenses was offset by program specific charges for services, operating grants and contributions.

- Total assets of governmental activities decreased by $1,560,173 due primarily to a decrease in fixed assets from the prior year related to the sale of the Thomas Jefferson Elementary building.

- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $25,205,011, a decrease of $548,340 in comparison with the prior year.

- Outstanding debt decreased from a balance of $25,864,958 in 2017 to $24,184,958 in 2018; and the accretion balance on the capital asset appreciation bonds increased from $1,568,594 to $1,853,793.

Using this Annual Financial Report

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in the net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the 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 District's property tax base, current property tax laws in Ohio that result in restricting revenue growth, facility conditions, required educational program and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, all of the District's activities are classified as governmental. All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The presentation of the District's major funds begins on page 19. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Debt Service Fund and Permanent Improvement Fund.

Governmental Funds: Most of the 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 known as modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position and the Statement of Activities*) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's trust funds are private purpose trusts which account for programs that provide assistance to needy students. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position – Fiduciary Funds on page 32. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

The *Statement of Net Position* provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position at June 30, 2018 compared to June 30, 2017.

Table 1
Net Position

	Governmental Activities 2018	Restated Governmental Activities 2017
Assets:		
Current assets	$ 45,491,343	$ 44,508,139
Capital assets, net	101,316,374	103,859,751
Total assets	146,807,717	148,367,890
Deferred outflows of resources :		
Deferred charge on refunding	785,921	848,794
Pension	12,679,494	11,175,290
OPEB	413,468	79,031
Total deferred outflows of resources	13,878,883	12,103,115
Liabilities:		
Current liabilities	5,626,664	5,419,760
Long term liabilities:		
Due within one year	645,430	1,964,109
Due in more than one year:		
Net pension liability	41,019,080	56,854,624
Net OPEB liability	9,238,451	11,623,186
Other liabilities	29,469,550	29,593,016
Total liabilities	85,999,175	105,454,695
Deferred inflows of resources:		
Property taxes	9,806,909	9,906,853
Pension	1,989,920	274,417
OPEB	1,179,423	-
Total deferred inflows of resources	12,976,252	10,181,270
Net position:		
Net investment in capital assets	76,688,755	77,516,718
Restricted	14,153,313	13,759,944
Unrestricted	(29,130,895)	(46,441,622)
Total net position	$ 61,711,173	$ 44,835,040

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 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 OBEP 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 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 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 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 District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position of the governmental activities at June 30, 2017, from $56,379,195 to $44,835,040.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the District, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $61,711,173 at the close of the most recent fiscal year. The main source for the increase in assets and deferred outflows is related to the increase in pension and OPEB deferred outflows of resources.

The most significant change in liabilities and deferred inflows of resources was a decrease in long-term liabilities, including the current portion, of $19,662,424 which was related primarily to the change in the net pension liability and the net OPEB liability. This decrease was offset by an increase in deferred inflows of resources of $2,794,982 which related mostly to change in pension and OPEB deferred inflows of resources.

During fiscal year 2018, the District's net position increased $16,876,133. A portion of the District's net position reflects investments in capital assets (e.g. land, construction in progress, buildings, improvements, machinery and equipment and vehicles), less any related debt to acquire or construct those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2
Changes in Net Position

	Governmental Activities 2018	Governmental Activities 2017
Revenues:		
Program revenues:		
Charges for services	$ 842,386	$ 1,063,821
Operating grants and contributions	7,146,768	7,792,765
Total program revenues	7,989,154	8,856,586
General revenues:		
Property taxes	13,299,459	14,451,508
Grants and entitlements	30,207,327	29,853,808
Investment earnings	241,793	107,382
Insurance proceeds	-	175,334
Miscellaneous revenue	225,799	193,795
Total general revenues	43,974,378	44,781,827
Total revenues	51,963,532	53,638,413
Program expenses:		
Instruction:		
Regular education	10,206,719	21,880,928
Special education	6,853,119	10,249,810
Vocational education	14,992	63,636
Other	557,978	1,354,437
Support services	12,787,018	15,603,535
Operation of non-instructional services	2,123,081	2,657,460
Extracurricular activities	678,592	1,377,878
Facilities acquisition and construction	730,534	231,606
Interest and fiscal charges	1,135,366	1,168,717
Total program expenses	35,087,399	54,588,007
Change in net position	16,876,133	(949,594)
Net position at beginning of year, restated	44,835,040	N/A
Net position at end of year	$ 61,711,173	$ 44,835,040

Effects of GASB Statement No. 75

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 $79,031 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $1,830,962. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

		Governmental Activities
Total 2018 program expenses under GASB 75	$	35,087,399
Negative OPEB expense under GASB 67		1,830,962
2018 Contractually required contribution		108,739
Adjusted 2018 program expenses		37,027,100
Total 2017 program expenses under GASB 45		54,588,007
Decrease in program expenses not related to OPEB	$	(17,560,907)

Governmental Activities

Net position of the District's governmental activities increased by $16,876,133. Total governmental expenses of $35,087,399 exceeded program revenues of $7,989,154 and general revenues of $43,974,378. The District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The primary sources of revenue for governmental activities are derived from property taxes, operating grants, and grants and entitlements. These revenue sources represent 97.48% of total governmental revenue.

Instruction and support services comprise 50.25% and 36.44% of governmental program expenses, respectively. Interest expense was 3.24% of total expenses. Interest expense was attributable to the outstanding bonds for various projects.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2018 and 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program expenses:				
Instruction	$ 17,632,808	$ 12,178,470	$ 33,548,811	$ 29,287,373
Support services:				
Pupil	1,430,246	1,430,246	2,653,182	2,653,182
Instructional staff	588,433	588,433	969,189	969,189
Board of education	434,121	434,121	208,798	208,798
Administration	1,429,162	1,429,162	2,647,658	2,647,658
Fiscal	1,036,168	1,036,168	1,053,978	1,053,978
Business	654,513	654,513	645,151	645,151
Operation and maintenance of plant	4,481,112	4,481,112	4,295,087	4,295,087
Pupil transportation	2,530,597	2,529,392	3,023,549	3,004,943
Central	202,666	190,066	106,943	94,343
Operation of non-instructional services	2,123,081	18,352	2,657,460	75,693
Extracurricular activities	678,592	262,310	1,377,878	924,275
Facilities acquisition and construction	730,534	730,534	231,606	(1,296,966)
Interest and fiscal charges	1,135,366	1,135,366	1,168,717	1,168,717
Total expenses	$ 35,087,399	$ 27,098,245	$ 54,588,007	$ 45,731,421

As noted above, the District's primary sources of revenue for governmental activities are derived from property taxes, operating grants, and grants and entitlements. The dependence upon these types of revenues is apparent, as 97.48% of 2018 governmental activities are supported by these revenues. Therefore, the District's taxpayers, as a whole, provide substantial financial support through real estate property taxes for the District and its students.

The District's Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $51,310,403, expenditures of $52,357,392, and net other financing sources and uses of $498,649. The net change in fund balance for the year was most significant in the Debt Service Fund, where the fund balance increased by $4,699,262 due primarily to transfer revenue received as a result of the completion of the Ohio Schools Facility Construction project.

General Fund Budget Information

The 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 2018, the District amended its General Fund budget periodically as defined by individual team needs.

For the General Fund, final budget basis revenue, including other financing sources was $499 less than the original budget estimates of $39,562,069. The final appropriations, including other financing uses of $41,803,429 were sufficient to meet the expenditures and other financing uses for the year, which ended up at $41,475,166.

Capital Assets

At the end of fiscal 2018 the District had $101,316,374 invested in construction in progress, land, land improvements, buildings, equipment, and vehicles. Table 4 shows fiscal 2018 balances compared to 2017.

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

	Governmental Activities	
	2018	2017
Land	$ 1,741,522	$ 1,741,522
Construction in progress	419,490	386,597
Land improvements	1,870,510	1,510,307
Buildings	95,160,473	98,062,327
Furniture and equipment	960,689	1,084,985
Vehicles	1,163,690	1,074,013
Totals	$ 101,316,374	$ 103,859,751

The majority of the decrease was the result of increased accumulated depreciation expense due to a full year of depreciation on projects completed in the prior year.

Additional information concerning the District's capital assets can be found in Note 10 to the financial statements.

Debt

At June 30, 2018, the District had bonds outstanding. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2018	2017
General obligation bonds:		
Serial bonds	$ 23,830,000	$ 25,510,000
Capital appreciation bonds	354,958	354,958
Accretion on capital appreciation bonds	1,853,793	1,568,594
Total	$ 26,038,751	$ 27,433,552

Additional information concerning the District's bonds can be found in Note 11 to the financial statements.

Current Financial Related Activities

The financial future of the District is not without its challenges. These challenges stem from issues that are local and at the State level. At the local level, the taxpayers must approve additional levies to pay for unfunded mandates as well as continue the programs they have come to expect as normal operations. Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, Ashtabula Area City School District, 6610 Sanborn Road, Ashtabula, Ohio 44004, or telephone (440) 992-1210.

Ashtabula Area City School District

Statement of Net Position

June 30, 2018

		Governmental Activities
Assets:		
Equity in pooled cash and cash equivalents	$	28,900,796
Accounts receivable		3,086
Prepaid items		10,712
Accrued interest receivable		17,906
Intergovernmental receivable		1,899,048
Other receivable		498,649
Materials and supplies inventory		131,101
Property taxes receivable		14,030,045
Non-depreciable capital assets		2,161,012
Depreciable capital assets, net		99,155,362
Total assets		146,807,717
Deferred outflows of resources:		
Deferred charges on refunding		785,921
Pension		12,679,494
OPEB		413,468
Total deferred outflows of resources		13,878,883
Liabilities:		
Accounts payable		751,089
Accrued wages and benefits		3,191,052
Accrued interest payable		72,632
Intergovernmental payable		543,502
Matured compensated absences		7,089
Claims payable		1,061,300
Long-term liabilities:		
Due within one year		645,430
Due in more than one year:		
Net pension liability		41,019,080
Net OPEB liability		9,238,451
Other amounts due in more than one year		29,469,550
Total liabilities		85,999,175
Deferred inflows of resources:		
Property taxes		9,806,909
Pension		1,989,920
OPEB		1,179,423
Total deferred inflows of resources		12,976,252

(Continued)

No assurance by a CPA is provided.
The accompanying notes are an integral part of these financial statements.

Ashtabula Area City School District

Statement of Net Position (continued)

June 30, 2018

		Governmental Activities
Net Position:		
Net investment in capital assets		76,688,755
Restricted for:		
Capital projects		2,977,400
Debt service		7,188,066
Other purposes		3,987,847
Unrestricted		(29,130,895)
Total net position	$	61,711,173

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Ashtabula Area City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular education	$ 10,206,719	$ 585,546	$ 1,363,322	$ (8,257,851)
Special education	6,853,119	-	3,500,721	(3,352,398)
Vocational education	14,992	-	-	(14,992)
Other instruction	557,978	4,749	-	(553,229)
Support services:				
Pupil	1,430,246	-	-	(1,430,246)
Instructional staff	588,433	-	-	(588,433)
Board of education	434,121	-	-	(434,121)
Administration	1,429,162	-	-	(1,429,162)
Fiscal	1,036,168	-	-	(1,036,168)
Business	654,513	-	-	(654,513)
Operation and maintenance of plant	4,481,112	-	-	(4,481,112)
Pupil transportation	2,530,597	1,205	-	(2,529,392)
Central	202,666	-	12,600	(190,066)
Operation of non-instructional services:				
Food service operations	2,123,081	185,475	1,919,254	(18,352)
Extracurricular activities	678,592	65,411	350,871	(262,310)
Facilities acquisitions and construction services	730,534	-	-	(730,534)
Interest and fiscal charges	1,135,366	-	-	(1,135,366)
Total governmental activities	$ 35,087,399	$ 842,386	$ 7,146,768	(27,098,245)

General revenues:	
Property taxes levies for:	
General purpose	9,918,383
Debt service	1,920,393
Capital outlay	1,274,528
Capital maintenance	186,155
Grant and entitlements not restricted to specific programs	30,207,327
Investment income	241,793
Miscellaneous revenue	225,799
Total general revenues	43,974,378
Change in net position	16,876,133
Net position at beginning of year, restated (Note 3)	44,835,040
Net position at end of year	$ 61,711,173

No assurance by a CPA is provided.

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Ashtabula Area City School District

Balance Sheet
Governmental Funds

June 30, 2018

	General	Debt Service	Permanent Improvement
Assets:			
Equity in pooled cash and cash equivalents	$ 11,410,022	$ 8,496,788	$ 2,301,315
Taxes receivable	10,465,714	2,007,879	1,360,953
Accounts receivable	3,086	-	-
Accrued interest receivable	17,906	-	-
Intergovernmental receivable	313,445	-	-
Other receivable	-	-	-
Interfund receivable	446,172	-	-
Materials and supplies inventory	60,599	-	-
Total assets	$ 22,716,944	$ 10,504,667	$ 3,662,268
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Accounts payable	$ 350,724	$ -	$ 335,624
Accrued wages and benefits	2,849,373	-	-
Intergovernmental payable	474,783	-	-
Matured compensated absences	7,089	-	-
Interfund payable	-	-	-
Total liabilities	3,681,969	-	335,624
Deferred inflows of resources:			
Property taxes	7,334,622	1,390,176	946,597
Unavailable revenue	1,118,932	208,802	140,154
Total deferred inflows of resources	8,453,554	1,598,978	1,086,751
Fund balances:			
Nonspendable	60,599	-	-
Restricted	199,867	8,905,689	2,239,893
Committed	-	-	-
Assigned	420,201	-	-
Unassigned (deficit)	9,900,754	-	-
Total fund balances	10,581,421	8,905,689	2,239,893
Total liabilities, deferred inflows of resources and fund balances	$ 22,716,944	$ 10,504,667	$ 3,662,268

No assurance by a CPA is provided.
The accompanying notes are an integral part of the financial statements.

	Non-major Governmental Funds	Total Governmental Funds
	$ 3,278,256	$ 25,486,381
	195,499	14,030,045
	-	3,086
	-	17,906
	1,585,603	1,899,048
	498,649	498,649
	-	446,172
	70,502	131,101
	$ 5,628,509	$ 42,512,388
	$ 64,741	$ 751,089
	338,310	3,187,683
	68,719	543,502
	-	7,089
	446,172	446,172
	917,942	4,935,535
	135,514	9,806,909
	1,097,045	2,564,933
	1,232,559	12,371,842
	70,502	131,101
	3,015,557	14,361,006
	597,353	597,353
	-	420,201
	(205,404)	9,695,350
	3,478,008	25,205,011
	$ 5,628,509	$ 42,512,388

No assurance by a CPA is provided.
The accompanying notes are an integral part of the financial statements.

Ashtabula Area City School District

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

June 30, 2018

Total governmental fund balances		$ 25,205,011
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.		101,316,374
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent property taxes	$ 1,395,240	
Grants	1,154,118	
Investment income	15,575	
Total		2,564,933
Internal Service Funds are used by management to charge the cost of health insurance and workers' compensation premiums to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.		2,360,458
Premiums received from the sale of general obligation bonds are considered financial resources and reported as revenue in the funds but deferred in the Statement of Net Position.		(1,228,582)
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.		
General obligation serial bonds	(23,830,000)	
Capital appreciation bonds	(354,958)	
Bond accretion	(1,853,793)	
Compensated absences payable	(2,847,647)	
Accrued interest payable	(72,632)	
Total		(28,959,030)
Deferred charges on refunding related to the issuance of long-term refunding debt that will be amortized over the life of the debt on the Statement of Net Position.		785,921

(Continued)

No assurance by a CPA is provided.
The accompanying notes are an integral part of the financial statements.

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities (continued)

June 30, 2018

The net pension liability and net OPEB liability are 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	12,679,494	
Deferred inflows – pension	(1,989,920)	
Net pension liability	(41,019,080)	
Deferred outflows – OPEB	413,468	
Deferred inflows – OPEB	(1,179,423)	
Net OPEB liability	(9,238,451)	
Total		(40,333,912)
Net position of governmental activities		$ 61,711,173

Ashtabula Area City School District

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2018

	General	Debt Service	Permanent Improvement
Revenues:			
Taxes	$ 10,051,436	$ 1,999,472	$ 1,295,495
Intergovernmental	29,237,210	380,466	200,306
Tuition and fees	586,251	-	-
Investment earnings	140,916	96,557	-
Extracurricular activities	-	-	-
Classroom materials and fees	4,649	-	600
Miscellaneous revenue	177,520	-	-
Total revenues	40,197,982	2,476,495	1,496,401
Expenditures:			
Current:			
Instruction:			
Regular education	17,555,363	-	157,541
Special education	8,153,950	-	-
Vocational education	15,340	-	-
Other instruction	545,092	-	-
Support services:			
Pupil	2,505,501	-	-
Instructional staff	564,939	-	-
Board of education	437,348	-	-
Administration	2,253,284	-	7,463
Fiscal	938,215	45,041	27,843
Business	616,658	-	-
Operation and maintenance of plant	4,089,711	-	282,585
Pupil transportation	2,675,612	-	99,960
Central	152,877	-	-
Food service operations	-	-	-
Extracurricular activities	405,470	-	-
Capital outlay	224	-	1,099,985
Debt services:			
Principal	-	1,680,000	-
Interest and fiscal charges	-	888,381	-
Total expenditures	40,909,584	2,613,422	1,675,377
Excess of revenues over (under) expenditures	(711,602)	(136,927)	(178,976)
Other financing sources (uses):			
Sale of capital asset proceeds	-	-	-
Transfers in	250,000	4,836,189	399,661
Transfers out	-	-	-
Total other financing sources (uses)	250,000	4,836,189	399,661
Net change in fund balance	(461,602)	4,699,262	220,685
Fund balance at beginning of year	11,043,023	4,206,427	2,019,208
Fund balance at end of year	$ 10,581,421	$ 8,905,689	$ 2,239,893

No assurance by a CPA is provided.
The accompanying notes are an integral part of the financial statements.

	Non-major Governmental Funds	Total Governmental Funds
	$ 186,155	$ 13,532,558
	6,656,183	36,474,165
	-	586,251
	6,318	243,791
	65,411	65,411
	185,475	190,724
	39,983	217,503
	7,139,525	51,310,403
	344,178	18,057,082
	2,819,123	10,973,073
	-	15,340
	228,021	773,113
	137,546	2,643,047
	198,750	763,689
	569	437,917
	127,632	2,388,379
	4,018	1,015,117
	-	616,658
	550,468	4,922,764
	3,077	2,778,649
	64,911	217,788
	2,121,537	2,121,537
	559,179	964,649
	-	1,100,209
	-	1,680,000
	-	888,381
	7,159,009	52,357,392
	(19,484)	(1,046,989)
	498,649	498,649
	3,465,906	8,951,756
	(8,951,756)	(8,951,756)
	(4,987,201)	498,649
	(5,006,685)	(548,340)
	8,484,693	25,753,351
	$ 3,478,008	$ 25,205,011

No assurance by a CPA is provided.
The accompanying notes are an integral part of the financial statements.

Ashtabula Area City School District

Reconciliation of 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		$ (548,340)
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 the depreciation exceeds capital outlay in the current period.		(1,656,419)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from that sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.		(886,958)
Property tax and grant revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	$ (233,099)	
Intergovernmental	888,226	
Investment income	(1,998)	
Total		653,129
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
General obligation bonds	1,680,000	
Compensated absences	(50,943)	
Total		1,629,057
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.		
Accretion on capital appreciation bonds	(285,199)	
Accrued interest on debt	2,800	
Amortization of premium	98,287	
Amortization of loss on refunding	(62,874)	
Total		(246,986)

(Continued)

Ashtabula Area City School District

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (continued)

For the Fiscal Year Ended June 30, 2018

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		
Pension	2,827,461	
OPEB	105,977	
Total		2,933,438
Except for amounts reported as deferred outflows/inflows, changes in net pension liability and net OPEB liability are reported as pension and OPEB expense in the Statement of Activities.		
Pension	12,796,785	
OPEB	1,433,772	
Total		14,230,557
The Internal Service Funds used by management to charge the costs of insurance to individual funds are not reported in the Statement of Activities. Governmental fund expenditures and related Internal Service Fund revenues are eliminated. The net revenue (expense) of Internal Service Funds is allocated among the governmental activities.		768,655
Change in net position of governmental activities		$ 16,876,133

Ashtabula Area City School District

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

For the Fiscal Year Ended June 30, 2018

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes	$ 10,542,334	$ 10,673,458	$ 10,075,671	$ (597,787)
Intergovernmental	27,598,046	27,472,870	29,114,134	1,641,264
Tuition and fees	555,723	553,202	586,251	33,049
Earnings on investments	131,368	130,772	138,585	7,813
Classroom materials and fees	3,933	3,915	4,149	234
Miscellaneous revenue	164,572	163,827	173,613	9,786
Total revenues	38,995,976	38,998,044	40,092,403	1,094,359
Expenditures:				
Current:				
Instruction:				
Regular education	17,472,214	17,581,963	17,443,900	138,063
Special education	8,236,240	8,287,974	8,222,893	65,081
Vocational education	20,742	20,872	20,708	164
Other instruction	556,831	560,330	555,929	4,401
Support services:				
Pupil	2,489,654	2,505,292	2,485,619	19,673
Instructional staff	602,513	606,298	601,537	4,761
Board of education	425,989	428,665	425,299	3,366
Administration	2,236,841	2,250,891	2,233,216	17,675
Fiscal	967,035	973,109	965,468	7,641
Business	648,555	652,629	647,504	5,125
Operation and maintenance of plant	4,252,853	4,279,566	4,245,961	33,605
Pupil transportation	2,696,880	2,713,820	2,692,510	21,310
Central	124,058	124,837	123,857	980
Extracurricular activities	395,639	398,124	394,998	3,126
Capital outlay	224	226	224	2
Total expenditures	41,126,268	41,384,596	41,059,623	324,973
Excess of revenues over (under) expenditures	(2,130,292)	(2,386,552)	(967,220)	1,419,332

(Continued)

Ashtabula Area City School District

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual – General Fund (continued)

For the Fiscal Year Ended June 30, 2018

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Other financing sources (uses):				
Transfer – in	236,982	235,907	250,000	14,093
Advances – in	329,111	327,619	347,191	19,572
Advances – out	(416,218)	(418,833)	(415,543)	3,290
Total other financing sources (uses)	149,875	144,693	181,648	36,955
Net change in fund balance	(1,908,417)	(2,241,859)	(785,572)	1,456,287
Fund balance at beginning of year	10,903,813	10,903,813	10,903,813	-
Prior year encumbrances appropriated	450,534	450,534	450,534	-
Fund balance at end of year	$ 9,373,930	$ 9,112,488	$ 10,568,775	$ 1,456,287

No assurance by a CPA is provided.
The accompanying notes are an integral part of the financial statements.

Ashtabula Area City School District

Statement of Fund Net Position
Proprietary Funds

June 30, 2018

	Governmental Activities Internal Service Funds
Assets:	
Equity in pooled cash and cash equivalents	$ 3,414,415
Prepaid items	10,712
Total assets	3,425,127
Liabilities:	
Accrued wages and benefits	3,369
Claims payable	1,061,300
Total liabilities	1,064,669
Net position:	
Unrestricted net position	$ 2,360,458

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The accompanying notes are an integral part of the financial statements.

Ashtabula Area City School District

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Governmental Activities
	Internal Service Funds
Operating revenues:	
Charges for services	$ 8,294,196
Miscellaneous	112,330
Total operating revenues	8,406,526
Operating expenses:	
Claims	7,462,954
Fiscal	9,964
Purchased services	164,953
Total operating expenses	7,637,871
Change in net position	768,655
Total net position at beginning of year	1,591,803
Total net position at end of year	$ 2,360,458

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Ashtabula Area City School District

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2018

		Governmental Activities Internal Service Funds
Cash flows from operating activities:		
Cash received from other funds	$	8,570,082
Cash payments for claims and contractual services		(7,642,429)
Net cash used for operating activities		927,653
Net increase in cash and cash equivalents		927,653
Cash and cash equivalents at beginning of year		2,486,762
Cash and cash equivalents at end of year	$	3,414,415
Reconciliation of operating income to net cash from operating activities:		
Operating income	$	768,655
Adjustments:		
Change in assets:		
Decrease in prepaid items		73,373
Decrease in intergovernmental receivable		163,556
Changes in liabilities:		
Increase in accrued wages and benefits		3,369
Decrease in claims payable		(81,300)
Net cash used for operating activities	$	927,653

No assurance by a CPA is provided.
The accompanying notes are an integral part of the financial statements.

Ashtabula Area City School District

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2018

	Private Purpose Trust Funds	Agency
Assets:		
Equity in pooled cash and investments	$ 116,954	$ 32,302
Liabilities:		
Interfund payable	-	$ 32,302
Net position:		
Held in trust for scholarships	$ 116,954	

No assurance by a CPA is provided.
The accompanying notes are an integral part of the financial statements.

Ashtabula Area City School District

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Fiscal Year Ended June 30, 2018

		Private Purpose Trust Funds
Additions:		
Investment earnings	$	11
Miscellaneous		16,012
Total additions		16,023
Deductions:		
Extracurricular activities		15,500
Total deductions		15,500
Change in net position		523
Total net position at beginning of year		116,431
Total net position at end of year	$	116,954

No assurance by a CPA is provided.
The accompanying notes are an integral part of the financial statements.

Note 1: Description of District

The Ashtabula Area City School District (the "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 District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District as mandated by State and/or Federal agencies. The District is defined by Section 3311.02 of the Ohio Revised Code. Average daily membership (ADM) of the District was 3,996 (this includes open enrollment and online students). The District employed 26 administrative and supervisory personnel, 253 certified employees and 188 non-certificated employees.

Note 2: Summary of Significant Accounting Policies

The basic financial statements of the 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 body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The 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 District consists of all funds, departments and agencies that are not legally separate from the District. For Ashtabula Area City School District, this includes the agencies and departments that provide the following services: general operations, food service, and student related activities of the District.

The District provides regular, vocational, and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities, and non-programmed services.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District.

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN)
NEOMIN is a jointly governed organization among 35 School Districts in Trumbull and Ashtabula Counties. The jointly governed 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 Districts. Each of the Districts supports NEOMIN based upon a per pupil charge. The District contributed $51,484 to NEOMIN during fiscal year 2018.

Superintendents of the participating School Districts are eligible to be voting members of the Governing Board which consists of 10 members: the Trumbull and Ashtabula County Educational Service Center's Superintendents (permanent members), three Superintendents from Ashtabula County School Districts, three Superintendents from Trumbull County School Districts, and a Treasurer from each county. The degree of control exercised by any participating School District is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio, 44446.

State Support Team (SST) - Region 5
The SST is an Educational Regional Service System whose mission is to provide regional districts with leadership, technical assistance and high quality professional development in the service areas of school improvement, literacy, early learning and school readiness and special education compliance. The 16 State Support Teams are responsible for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using a differentiated technical assistance structure of support based upon need. The teams work through the Office of Exceptional Children, Office of Literacy, Office of Early Learning and School Readiness and the Office of Field Relations by providing technical assistance and professional development. The SSTs include staff and services formerly provided by the Special Education Regional Resources Centers (SERRCs) and the Regional School Improvement Teams (RSITs). Each School District's degree of control is limited to its representation on the Governing Board. The SST is its own budgeting and taxing authority. The School District made no contributions for fiscal year 2018.

House Bill 115 (HB 115) establishes the Educational Regional Service System (ERSS) and requires the creation of a coordinated, integrated and aligned system to support state and school districts efforts to improve school effectiveness and student achievement. It is the intent of the general assembly that the educational regional service system would reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of education services without reducing the availability of the services needed by school districts and school. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 7320 North Palmyra Road, Canfield, Ohio 44406.

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations

Ashtabula County Technical & Career Center
The Ashtabula County Technical & Career Center (A-Tech) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The A-Tech is operated under the direction of a Board consisting of representatives from some of the participating School Districts' elected boards. Each School District's degree of control is limited to its representation on the Governing Board. The Board is its own budgeting and taxing authority. The School District contributed $156 to the Center during the fiscal year. Financial information can be obtained from Lindsey Elly, Treasurer at Ashtabula County Technical & Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

Related Organizations

Non-public schools
Within the District's boundaries, St. John School K-12, is operated through the Youngstown Catholic Diocese. Current legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the District, as directed by the schools. The accounting for these state monies is reflected as a special revenue fund of the District.

Harbor-Topky Memorial Library
The Harbor-Topky Memorial Library is a separate body politic. The Board of Education appoints new Trustees, by resolution, upon recommendation of the Trustees.

Management believes the financial statements included in this report represent all of the funds over which the District is financially accountable.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category is divided into separate fund types.

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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 District's major governmental funds:

> *General Fund* – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> *Debt Service Fund* – This fund accounts for the collection of property taxes that are used for the payment of principal and interest and fiscal charges on general obligation debt.
>
> *Permanent Improvement Fund* – This fund accounts for the collection of property taxes that are used for acquiring, constructing, or improving permanent improvements.

Other governmental funds of the District account for food service operations, grants, other resources, and other capital projects of the District whose use is restricted to a particular purpose.

Proprietary Funds: Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's Internal Service Funds.

> *Internal Service Funds* – Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis. The Employee Health Insurance Fund accounts for a self-insurance program which provides medical, prescription, dental, and life insurance benefits to the District's employees. The Workers' Compensation Fund accounts for the payment of premiums and claims to be paid to the State workers' compensation agency.

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds are private purpose trusts which account for programs that provide assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds are used to account for student activities.

C. Basis of Presentation and Measurement Focus

The 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service Fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements: Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and non-major funds are aggregated into a single column. The Internal Service Fund is presented on a separate proprietary fund statement. Fiduciary funds are reported by fund type.

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Presentation and Measurement Focus (continued)

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

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 total position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operation. The principal operating revenues of the District’s internal service funds are charges for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The private purpose trust funds are reported using the flow of economic resources measurement focus. Agency funds do not report operations; therefore, no measurement focus is needed.

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year end.

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Unearned Revenue: Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The District does not have any unearned revenue at June 30, 2018.

Deferred Outflows/Inflows of Resources: In addition to assets, the financial statements that report net position may include a 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 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 acquisition price. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements that report net position may include 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 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 the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes and intergovernmental revenue. 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 and OPEB plans are reported on the government-wide Statement of Net Position, see Notes 13 and 14.

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Expenditures/Expenses: 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 on 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.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget: Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Ashtabula County Budget Commission for rate determination.

Estimated Resources: Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted.

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2018. Prior to year end, the District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter appropriations must be approved by the Board of Education at the legal level of budgetary control. The Board has authorized the Treasurer to allocate appropriations within each function and among object level expenditures.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

The amounts reported as the original budgeted amounts on the budgetary statements 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 on the statements of budgetary comparisons represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts and nonnegotiable certificate of deposits are reported at cost. See Note 6 for specific disclosures relating to investments.

STAR Ohio (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 the District has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District measures their investment in STAR Ohio at amortized cost.

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Investments (continued)

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 $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the fiscal year amounted to $140,916. The amount allocated from other funds during fiscal year 2018 amounted to $40,933.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

H. Capital Assets

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

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

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

Description	Estimated Lives
Land improvements	15 - 30 years
Buildings	15 - 30 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

I. 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 column of the Statement of Net Position.

Note 2: Summary of Significant Accounting Policies (continued)

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Vacation leave benefits are accrued as a liability as the benefits are earned if a) the employees' rights to receive compensation are attributable to services already rendered, and b) it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or a class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. 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 the internal service 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 and 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 year. Bonds are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Pensions/Other Postemployment Benefits (OPEB)

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

Note 2: Summary of Significant Accounting Policies (continued)

M. 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 borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources which will be used for athletics, special education and other grants. At June 30, 2018, there was no net position restricted by enabling legislation.

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

N. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually-required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit these 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 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 District Board of Education. The District’s 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.

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance (continued)

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 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.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for the health-related insurance program and workers compensation program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the proprietary funds.

P. Interfund Activity

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

Interfund activities between governmental funds are eliminated for reporting in the Statement of Activities.

Q. 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 basic financial statements and accompanying notes. Actual results may differ from those estimates.

R. Deferred Charge on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

Note 2: Summary of Significant Accounting Policies (continued)

S. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued.

T. Other Receivable

The District received proceeds from capital assets sold during the fiscal year after the fiscal year had ended. See Note 8 for further disclosure.

U. Comparative Data/Reclassifications

Prior year data presented in Management's Discussion and Analysis have been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2017 financial statements in order to conform to the 2018 presentation.

Note 3: Change in Accounting Principle

For fiscal year 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 81, *Irrevocable Split-Interest Agreements*, Statement No. 86, *Certain Debt Extinguishment Issues*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

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

GASB 81 seeks to improve accounting and financial reporting for irrevocable split-interest agreements created through trusts or other legally enforceable agreements whereby a donor irrevocably transfers resources to an intermediary. The District is not a beneficiary of any irrevocable split-interest agreements and thus implementation of this standard has had no effect on the District's financial statements or disclosures.

GASB 86, seeks to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions involved in the extinguishment of debt including, prepaid insurance and note disclosures for in-substance defeasance of debt. Implementation of this standard has had no effect on the District's financial statements or disclosures.

Note 3: Change in Accounting Principle (continued)

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. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

		Governmental Activities
Net position at June 30, 2017	$	56,379,195
Net OPEB liability		(11,623,186)
Deferred outflow – payments subsequent to measurement date		79,031
Restated net position at June 30, 2017	$	44,835,040

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

GASB Statements and guidance to be implemented in future reporting periods include GASB Statement No. 83, *Certain Asset Retirement Obligations,* GASB Statement No. 84, *Fiduciary Activities,* GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period, and* GASB Statement No. 87, *Leases.* The District is currently evaluating the impact that these Statements will have on its financial statements and disclosures.

Note 4: Fund Balances

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

Fund Balances	General Fund	Debt Service Fund	Permanent Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	$ 60,599	$ -	$ -	$ 70,502	$ 131,101
Restricted for:					
Food service operations	-	-	-	412,813	412,813
Community activities	-	-	-	1,119,923	1,119,923
Athletics	-	-	-	81,186	81,186
Auxiliary services	-	-	-	120,446	120,446
Debt service payments	-	8,905,689	-	-	8,905,689
Improving teacher quality	-	-	-	14,596	14,596
Other purposes	199,867	-	-	156,785	356,652
Capital improvements	-	-	2,239,893	1,109,808	3,349,701
Total restricted	199,867	8,905,689	2,239,893	3,015,557	14,361,006
Committed to:					
Capital improvements	-	-	-	597,353	597,353
Assigned to:					
Encumbrances	378,245	-	-	-	378,245
Other purposes	41,956	-	-	-	41,956
Total assigned	420,201	-	-	-	420,201
Unassigned (deficit)	9,900,754	-	-	(205,404)	9,695,350
Total fund balances	$ 10,581,421	$ 8,905,689	$ 2,239,893	$ 3,478,008	$ 25,205,011

Note 5: Accountability

The following funds had negative fund balances at June 30, 2018:

Non-major Special Revenue Funds:		
Public School Preschool	$	14,124
Title I Fund		123,560
Title VI-B Special Education Fund		62,279
Preschool Grant for the Handicapped Fund		5,441

The deficits in the above funds are due to timing differences in accruing revenues and expenditures. The General Fund is liable for any deficit fund balance or negative cash balance in these funds and will provide operating transfers when cash is required, not when accruals occur.

Note 6: Deposits and Investments

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are monies identified as not required for use within the current 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 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.

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;

Note 6: Deposits and Investments (continued)

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;

4. Investment grade obligations of state and local governments, and public authorities;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section or 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 180 days from the date of purchase in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, 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 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.

Deposits

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned from the depository. The District has no deposit policy for custodial risk beyond the requirements of State statute. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution for repayment, by surety company bonds or by a single collateral pool established by the financial institution.

Note 6: Deposits and Investments (continued)

In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of District funds shall be required to pledge security for repayment of all public moneys deposited with the institution.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred two percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at one hundred five percent. The District's financial institutions have enrolled in OPCS as of December 20, 2017.

At year end, the carrying amount of the District's deposits was $23,271,167 and the bank balance was $23,332,170. Of the bank balance, $14,527,961 was covered by federal depository insurance and $8,804,209 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the District's name. At fiscal year end, the District had $100 in cash on hand, which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

Investments

Investments are reported at fair value. As of June 30, 2018, the District had the following investments:

	Fair Value	Less Than 1 Year	1-5 Years
Federal Farm Credit Bank (FFCB)	$ 2,519,312	$ 498,115	$ 2,021,197
Federal Home Loan Bank (FHLB)	1,918,739	-	1,918,739
Money Market	49,427	49,427	-
STAR Ohio	1,291,307	1,291,307	-
Total portfolio	$ 5,778,785	$ 1,838,849	$ 3,939,936

The 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.

Note 6: Deposits and Investments (continued)

The District has the following recurring fair value measurements as of June 30, 2018:

- STAR Ohio is measured at amortized cost, which approximates fair value. At June 30, 2018, the average days to maturity was 48.9.
- FFCB and FHLB are measured based on Level 2 inputs, 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.
- Money Market is valued at amortized cost, which approximates fair value.

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase to maximize the returns on the excess cash balances consistent with the safety of the monies and the desired liquidity of the investments.

Credit Risk is addressed by the District's investment policy by the requirements that all investments are authorized by the Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. STAROhio investments are registered and carry a rating AAAm rating by Standard & Poor's. All other investments of the District are registered and carry a rating AA+ by Standard & Poor's.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The District places no limit on the amount it may invest in any one issuer. The following is the District's allocation as of June 30, 2018:

	Percentage of Investments
Federal Farm Credit Bank Bonds	43.60%
Federal Home Loan Bank Bonds	33.20
Money Market	00.85
STAROhio	22.35

Note 7: Property Taxes

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

Note 7: Property Taxes (continued)

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

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected in 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 Ashtabula County Treasurer collects property tax on behalf of the District. The Ashtabula County Auditor remits to the District the taxes collected. Tax settlements are made each February and August for real property taxes. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values of real and tangible personal property on which the 2018 taxes were collected were as follows:

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Property	$ 380,591,310	90.21%	$ 393,960,100	90.26%
Public Utility Personal Property	41,300,630	9.79%	42,514,120	9.74%
Total Assessed Value	$ 421,891,940	100.00%	$ 436,474,220	100.00%
Tax rate per $1,000 of assessed valuation	$ 50.85		$ 49.55	

Note 7: Property Taxes (continued)

Accrued property taxes receivables include real property and public utility 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. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2018, was $2,105,088 in the General Fund, $408,901 in the Bond Retirement Fund, $274,202 in the Permanent Improvement Fund and $39,705 in the Classroom Facilities Maintenance Fund.

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

Note 8: Receivables

Receivables at June 30, 2018, consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of intergovernmental receivables reported on the Statement of Net Position follows:

Governmental activities:	
IDEA B Grant	$ 367,057
Preschool Grant	21,850
Title I	773,016
Title II-A	213,502
Title VI-B	109,519
Early Childhood Education	45,645
Ohio Lottery Proceeds	93,683
Miscellaneous State and Federal Grants	55,014
Workers Compensation Rebate	133,409
Ohio Schools Benefits Consortium Health Insurance Refund	9,000
State Employees Retirement System Refund	77,353
Total governmental activities	$ 1,899,048

At June 30, 2018, the District had an “other receivable” balance of $498,649, which was the result of proceeds from the sale of capital assets received after year end. These proceeds related to the sale of property that occurred during the fiscal year.

Note 9: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) are presented for the General Fund on the budgetary basis to provide a relevant comparison of actual results with the budget.

The major differences between the budgetary basis and the GAAP basis are identified as follows:

(a) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
(b) Expenditures/Expenses are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis);
(c) Encumbrances are treated as expenditures (budgetary basis) rather than a restricted, committed, or assigned fund balance (GAAP basis).
(d) To reclassify the net change in fund balance for funds combined with the general fund for GASB Statement No. 54. Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the termination benefits fund, the uniform school supplies fund, the public school support fund, and the underground storage tanks fund.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	General
GAAP basis	$ (442,571)
Net adjustment for revenue accruals	232,547
Net adjustment for expenditure accruals	(46,587)
Adjustment for encumbrances	(622,968)
Funds budgeted elsewhere	94,007
Budget basis	$ (785,572)

Note 10: Capital Assets

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

	Balance 6/30/17	Additions	Disposals	Balance 6/30/18
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,741,522	$ -	$ -	$ 1,741,522
Construction in progress	386,597	690,548	(657,655)	419,490
Total capital assets, not being depreciated	2,128,119	690,548	(657,655)	2,161,012
Capital assets, being depreciated:				
Land improvements	1,890,560	498,004	(102,864)	2,285,700
Buildings	113,394,202	29,510	(1,515,218)	111,908,494
Furniture and equipment	1,966,551	-	(58,987)	1,907,564
Vehicles	3,226,756	247,143	(42,518)	3,431,381
Total capital assets, being depreciated	120,478,069	774,657	(1,719,587)	119,533,139
Less accumulated depreciation:				
Land improvements	(380,253)	(99,722)	64,785	(415,190)
Buildings	(15,331,875)	(2,091,300)	675,154	(16,748,021)
Furniture and equipment	(881,566)	(115,481)	50,172	(946,875)
Vehicles	(2,152,743)	(157,466)	42,518	(2,267,691)
Total accumulated depreciation	(18,746,437)	(2,463,969)	832,629	(20,377,777)
Capital assets being depreciated, net	101,731,632	(1,689,312)	(886,958)	99,155,362
Total capital assets, net	$ 103,859,751	$ (998,764)	$ (1,544,613)	$ 101,316,374

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular education	$ 1,476,606
Special education	419,995
Support services:	
Instructional staff	6,319
Administration	76,149
Operation and maintenance of plant	47,368
Pupil transportation	132,784
Central	2,584
Operation of non-instructional services:	
Food service operations	126,251
Extracurricular activities	120,450
Facilities and construction services	55,463
Total depreciation expense	$ 2,463,969

Note 11: Long-Term Liabilities

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

	Restated Principal Outstanding 06/30/17	Additions	Reductions	Principal Outstanding 06/30/18	Amounts Due in One Year
Governmental activities:					
Refunded OSFC construction bonds 2.00% - 4.00% - 12/01/2030	$ 25,510,000	$ -	$ (1,680,000)	$ 23,830,000	$ -
Refunded OSFC construction capital appreciation bonds 28.77% - 12/01/2020	354,958	-	-	354,958	269,186
Accretion on refunded capital appreciation bonds	1,568,594	285,199	-	1,853,793	-
Premium on construction bonds	1,326,869	-	(98,287)	1,228,582	-
Net pension liability:					
SERS	10,805,447	-	(2,218,345)	8,587,102	-
STRS	46,049,177	-	(13,617,199)	32,431,978	-
Net OPEB liability:					
SERS	4,265,850	-	(354,129)	3,911,721	-
STRS	7,357,336		(2,030,606)	5,326,730	-
Compensated absences	2,796,704	270,167	(219,224)	2,847,647	376,244
Total governmental activities long-term liabilities	$ 100,034,935	$ 555,366	$ (20,217,790)	$ 80,372,511	$ 645,430

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

	Refunded Bond	
	Principal	Interest
2019	$ 269,186	$ 2,317,396
2020	1,085,772	1,490,184
2021	1,735,000	824,307
2022	1,785,000	774,853
2023	1,835,000	714,724
2024-2028	10,300,000	2,432,484
2029-2033	7,175,000	437,900
Total	$ 24,184,958	$ 8,991,848

Note 11: Long-Term Liabilities (continued)

On January 11, 2012, the District issued $32,724,958 in general obligation bonds for the purpose of refunding general obligation bonds outstanding in order to take advantage of lower interest rates. The bonds were sold at a premium of $2,215,574 with an issue discount of $348,126. Proceeds of $34,238,553 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the general obligation bonds. As a result, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2018, no defeased bonds are outstanding.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2018, are a voted debt margin of $24,003,411 and an unvoted debt margin of $436,474.

Note 12: Risk Management

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of $1,000,000, plus excess of $4,000,000, for each occurrence and $3,000,000, plus excess of $4,000,000, in the aggregate. Additionally, the District has commercial crime coverage of $500,000.

The District maintain $2,000,000 of Cyber Liability insurance coverage.

The District maintains fleet insurance in the amount of $1,000,000, plus excess of $4,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of $159,931,502. Other property insurance includes $2,359,875 for computer and $297,617 for musical instruments with $100,000 equipment in transit, and $111,086 for miscellaneous articles.

The District Superintendent and Treasurer are both bonded for $100,000. Remaining employees are covered by a blanket crime policy of $500,000.

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

Note 12: Risk Management (continued)

B. Workers' Compensation

The State of Ohio provides workers' compensation coverage. The District pays the State Workers' Compensation System a premium based on a percentage of salaries. This percentage is calculated based on accident history and administrative costs.

C. Health Insurance

The District has established an Internal Service Self-Insurance Fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs.

This Self-Insurance Fund was established January 1994, for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General Fund and certain non-major governmental funds. Claims payments are made on an as-incurred basis, thus no reserve remains with the insurance carrier.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of $1,061,300 at June 30, 2018.

A summary of changes in self-insurance claims for the current and prior fiscal year follows:

Fiscal Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
2018	$ 1,142,600	$ 7,050,579	$ (7,131,879)	$ 1,061,300
2017	914,500	8,152,936	(7,924,836)	1,142,600

Note 13: Pension Plans

A. Net Pension Liability

The net pension liabilities reported on the Statements of Net Position represent 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 occurred in the past.

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

GASB Statement No. 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.

B. Plan Description - School Employees Retirement System (SERS)

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

Note 13: Pension Plans (continued)

B. Plan Description - School Employees Retirement System (SERS) (continued)

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% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit. Effective January 1, 2018, SERS COLA will change from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%, per House Bill 49. House Bill 49 also provided the SERS Retirement Board with the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W; however, any adjustment above or below CPI-W could only be enacted if the system's actuary determines it would not materially impair the fiscal integrity of the system, or is necessary to preserve the fiscal integrity of the system.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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% while 0.5% as allocated to the Health Care Fund.

The District's contractually-required contribution to SERS was $644,505 for fiscal year 2018. The District contributed 100%of the required contribution as of June 30, 2018.

Note 13: Pension Plans (continued)

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS, 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, payable for life, based on the average of the member's five highest years of earnings multiplied by 2.2% for each year of credited service. For July 1, 2015 and earlier, the annual allowance is determined by multiplying final average salary (average of three highest years of earnings) by 2.2% for the first 30 years of credited service. Each year over 30 years is incrementally increased by 0.1% starting at 2.5% for the 31st year of contributing service up to a maximum allowance of 100% of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5%, and each year over 31 years is incrementally increased by 0.1% starting at 2.6% for the 32nd year. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan benefits are established under Chapter 3307.80 to 3307.89 of the Ohio Revised Code. The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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. Employer contributions into member accounts are vested after the first anniversary of the first day of paid service. Members vest 20% per year in employer contributions and all gains and losses on those contributions. Members who become disabled are entitled only to their account balances. The member's beneficiary is entitled to receive the member's account balance should he/she die before retirement benefits begin.

Note 13: Pension Plans (continued)

C. Plan Description - State Teachers Retirement System (STRS) (continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and 2% goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. 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 Statement No. 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 that apply for disability benefits.

A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans.

Administrative Expenses – The costs of administering the Defined Benefit and postemployment health care plans are financed by investment income. The administrative costs of the Defined Contribution Plan are financed by participant fees.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14% and the plan members were also required to contribute 14% of covered salary. The fiscal year 2018 contribution rates were equivalent to the statutory maximum rates.

The District's contractually required contribution to STRS was $2,182,956 for fiscal year 2018. Of this amount $274,444 is reported as an intergovernmental payable.

Note 13: Pension Plans (continued)

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Subsequent payments made during the current fiscal year are accounted for as deferred outflows. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of Net Pension Liability Prior Measurement Date	0.14763400%	0.13757105%	
Proportion of Net Pension Liability Current Measurement Date	0.14372250%	0.13652572%	
Change in Proportionate Share	(0.0039115)%	(0.00104533)%	
Proportionate Share of the Net Pension Liability	$ 8,587,102	$ 32,431,978	$ 41,019,080
Pension Income	$ 311,854	$ 12,484,930	$ 12,796,784

At June 30, 2018, the 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	$ 369,559	$ 1,252,371	$ 1,621,930
Change in assumptions	444,046	7,093,230	7,537,276
Changes in proportionate share and difference between District contributions and proportionate share of contributions	119,713	573,114	692,827
District contributions subsequent to the measurement date	644,505	2,182,956	2,827,461
Total Deferred Outflows of Resources	$ 1,577,823	$ 11,101,671	$ 12,679,494

Note 13: Pension Plans (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 261,389	$ 261,389
Difference between projected and actual earnings on pension plan investments	40,761	1,070,293	1,111,054
Changes in Proportionate Share and difference between District contributions and proportionate share of contributions	$ 187,016	$ 430,461	$ 617,477
Total Deferred Inflows of Resources	$ 227,777	$ 1,762,143	$ 1,989,920

$2,827,461 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 341,617	$ 1,497,355	$ 1,838,972
2020	486,468	2,953,324	3,439,792
2021	77,638	2,201,203	2,278,841
2022	(200,182)	504,690	304,508
Total	$ 705,541	$ 7,156,572	$ 7,862,113

E. Actuarial Assumptions - SERS

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

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

Note 13: Pension Plans (continued)

E. Actuarial Assumptions – SERS (continued)

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
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal
COLA or Ad Hoc COLA	2.50 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both set-back one year 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% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates, and 100% for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged 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.

Note 13: Pension Plans (continued)

E. Actuarial Assumptions – SERS (continued)

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 Equity	22.50	4.75
International Equity	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%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). 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 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 net pension liability calculated using the discount rate of 7.50%, 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%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 11,916,666	$ 8,587,102	$ 5,797,913

Note 13: Pension Plans (continued)

F. Actuarial Assumptions – STRS

Actuarial assumptions used in the June 30, 2018 valuation are based on prior year measurement date of June 30, 2017. The actuarial assumptions used in the valuation are based on the results of an actuarial experience study, effective July 1, 2017. The actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	0 percent effective July 1, 2017
Payroll increase	3.00 percent

Mortality rates were 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; pre-retirement mortality rates were based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016; and post-retirement disabled mortality rates were based on 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.

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

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

*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.

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

Note 13: Pension Plans (continued)

F. Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45% for June 30, 2017 included in the pension liability and related deferred inflow and outflow calculations. 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 increase described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the plan's 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% was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the 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 net pension liability calculated using the discount rate of 7.45%, 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 (6.45%), or one percentage point higher (8.45%) than the current rate.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$ 46,490,136	$ 32,431,978	$ 20,590,086

Changes Between Measurement Date and Report Date Effective July 1, 2017, of the 14% employer contribution, 9.53% of salary is deposited into the member's DC plan while 4.47% of the salaries is used to amortize the unfunded actuarial accrued liability of the DB plan. In the prior fiscal year, the allocation was 9.5% and 4.5% to the DC plan and the DB plan, respectively.

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% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, 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% 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 14: Defined Benefit OPEB Plans

A. Net OPEB Liability

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

The net OPEB liability represents the 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 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 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.

Note 14: Defined Benefit OPEB Plans (continued)

B. Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The 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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was $82,106.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $105,977 for fiscal year 2018.

Note 14: Defined Benefit OPEB Plans (continued)

C. 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 Ohio 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 Ohio. 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% of covered payroll. For the fiscal year ended June 30, 2018, STRS Ohio did not allocate any employer contributions to post-employment health care.

D. 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 District's proportion of the net OPEB liability was based on the 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 net OPEB liability prior measurement date	0.149660%	0.137571%	
Proportion of net OPEB liability current measurement date	0.145757%	0.136526%	
Change in proportionate share	(0.003903)%	(0.001045)%	
Proportionate share of the net OPEB liability	$ 3,911,721	$ 5,326,730	$ 9,238,451
OPEB expense (income)	$ 199,644	$ (2,030,606)	$ (1,830,962)

Note 14: Defined Benefit OPEB Plans (continued)

D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

At June 30, 2018, the 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	$ -	$ 307,491	$ 307,491
District contributions subsequent to the measurement date	105,977	-	105,977
Total deferred outflows of resources	$ 105,977	$ 307,491	$ 413,468
Deferred inflows of resources			
Change in assumptions	$ 371,202	$ 429,085	$ 800,287
Difference between projected and actual earnings on pension plan investments	10,330	227,677	238,007
Changes in proportionate share and difference between District contributions and proportionate share of contributions	93,210	47,919	141,129
Total deferred inflows of resources	$ 474,742	$ 704,681	$ 1,179,423

The $105,977 reported as deferred outflows of resources related to OPEB resulting from the 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	$ (170,848)	$ (85,171)	$ (256,019)
2020	(170,848)	(85,171)	(256,019)
2021	(130,464)	(85,171)	(215,635)
2022	(2,582)	(85,171)	(87,753)
2023	-	(28,252)	(28,252)
Thereafter	-	(28,254)	(28,254)
Total	$ (474,742)	$ (397,190)	$ (871,932)

Note 14: Defined Benefit OPEB Plans (continued)

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

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

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

Note 14: Defined Benefit OPEB Plans (continued)

E. Actuarial Assumptions – SERS (continued)

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%, 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 Equity	22.50	4.75
International Equity	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%. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. 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% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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%, 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.

Note 14: Defined Benefit OPEB Plans (continued)

E. Actuarial Assumptions – SERS (continued)

Sensitivity of the 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 one percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	$ 4,723,902	$ 3,911,721	$ 3,268,267

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 3,174,069	$ 3,911,721	$ 4,888,017

F. Actuarial Assumptions – STRS

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	2.50 percent
Projected salary increases	12.5 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	3.0 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.0 to 11.0 percent initial, 4.5 percent ultimate

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

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

Note 14: Defined Benefit OPEB Plans (continued)

F. Actuarial Assumptions – STRS (continued)

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% to 4.13% 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% to 7.45%. 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% to 1.9% 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 Ohio's 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 %	

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

Note 14: Defined Benefit OPEB Plans (continued)

F. Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total OPEB liability was 4.13% 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% 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%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% 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% which represents the long term expected rate of return of 7.75% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85% for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the 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%, 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%) or one percentage point higher (5.13%) 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%)
District's proportionate share of the net OPEB liability	$ 7,151,049	$ 5,326,730	$ 3,884,921

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 3,700,784	$ 5,326,730	$ 7,466,665

Note 15: Employee Benefits

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and State laws. The Superintendent, Treasurer, 12 month administrators and 12 month classified employees earn vacation. Classified employees accumulate vacation based on the following factors:

Length of Service	Vacation Leave
After 6 months	1 Week
After 1 Year	2 Weeks
After 7 Years	3 Weeks
After 17 Years	4 Weeks

In addition to the vacation schedule above, classified employees having served the District continuously for more than 19 years shall be entitled to one additional day for each complete year served in the District in excess of 19 years.

Vacations for classified employees can be taken any time during the year. Employees may carry over a maximum of 10 days from one year to the next which they are required to take that year.

The Superintendent earns 20 days of vacation per year and is not required to take them that year. There is an option to exchange for cash up to 10 days per year of earned vacation time.

The Treasurer earns 20 days of vacation per year and is not permitted to carry over to the following year. Any days remaining must be used or may be paid per board policy.

The 12 month administrators earn 20 days of vacation per year and may carry over 10 days from one year to the next or may be paid for accrued vacation days per board policy.

Vacation Pay: All 12 month classified employees may choose to be paid for two weeks of vacation in lieu of time off at their rate of pay.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick Leave has an unlimited accumulation of days for certificated personnel and classified personnel.

Service Retirement: Upon retirement, employees shall receive in one lump sum, one-fourth of the accumulated sick leave days multiplied by the per diem rate at the time of retirement up to a maximum of 85 days.

Note 16: Interfund Transactions

A. Interfund balances

Interfund balances consisted of the following at June 30, 2018, as reported on the fund statements:

Receivable Fund	Payable Fund	Amount
General Fund	Non-major Governmental Funds	$ 446,172

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Interfund transfers

As of December 31, 2018, interfund transfers were as follows:

	Transfers Out
	Nonmajor Governmental
Transfers In:	
General Fund	250,000
Bond Retirement Fund	4,836,189
Permanent Improvement Fund	399,661
Nonmajor Governmental	3,465,906
Total	$ 8,951,756

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them in accordance with budgetary authorizations. The transfer to the General Fund is in relation to Medicaid reimbursements received in a nonmajor governmental fund until the completion of a Medicaid examination. The remaining transfers are related to the completion of the Ohio Schools Facility Construction project.

Note 17: Contingencies

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2018.

B. Litigation

The District is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

Note 18: Statutory Reserves

The District is required by State statute to annually set aside in the General Fund an amount on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year 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 changes in the year-end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements
Set-aside reserve balance as of June 30, 2017	$ -
Current year set-aside requirements	624,958
Qualifying disbursements	(2,126,034)
Total set-aside reserve balance as of June 30, 2018	$ (1,501,076)

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

Note 19: Contractual Commitments and Other Significant Commitments Including Encumbrances

At June 30, 2018, the District had outstanding construction contracts that were encumbered as follows. Other significant commitments include the encumbrances outstanding for the general fund and non-major funds other than capital projects as shown below.

Building		Contractual Commitments & Encumbrances
High School:		
Astroturff Corporation		202,492
Permanent Improvement Fund		480,662
Total Contractual Commitments	$	683,154
		Encumbrances
General fund for other purpose	$	378,245
Non-major funds other than capital projects		369,426
Total Encumbrances	$	747,671
Total Contractual Commitments and Encumbrances	$	1,430,825

Note 20: Tax Abatements

Under agreements entered into by the City of Ashtabula and the Saybrook Township, property tax revenues were reduced by $72,658.

Ashtabula Area City School District

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio

Last Five Fiscal Years (1)

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
District’s proportion of the net pension liability	0.14372250%	0.14763400%	0.14508730%	0.14263800%	0.14263800%
District’s proportionate share of the net pension liability	$ 8,587,102	$ 10,805,447	$ 8,278,822	$ 7,218,828	$ 8,482,224
District’s covered payroll	$ 4,694,671	$ 5,034,179	$ 3,941,929	$ 4,592,921	$ 4,631,561
District’s proportionate share of the net pension liability as a percentage of its covered payroll	182.91%	214.64%	210.02%	157.17%	183.14%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Amounts presented for each fiscal year were determined as of the District’s measurement date which is June 30 of the prior year.

Ashtabula Area City School District

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio

Last Five Fiscal Years (1)

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
District's proportion of the net pension liability	0.13652572%	0.13757105%	0.13411188%	0.13569891%	0.13569891%
District's proportionate share of the net pension liability	$ 32,431,978	$ 46,049,177	$ 37,064,601	$ 33,006,671	$ 39,317,331
District's covered payroll	$ 15,108,414	$ 14,564,893	$ 13,578,550	$ 13,472,914	$ 14,519,138
District's proportionate share of the net pension liability as a percentage of its covered payroll	214.66%	316.17%	272.96%	244.99%	270.80%
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. Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30 of the prior year.

Ashtabula Area City School District

Required Supplementary Information
Schedule of the District Pension Contributions
School Employees Retirement System of Ohio

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually-required contribution	$ 644,505	$ 657,254	$ 704,785	$ 519,546	$ 636,579
Contributions in relation to the contractually-required contribution	(644,505)	(657,254)	(704,785)	(519,546)	(636,579)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 4,774,114	$ 4,694,671	$ 5,034,179	$ 3,941,929	$ 4,592,921
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%	13.86%

	2013	2012	2011	2010	2009
Contractually-required contribution	$ 641,008	$ 646,700	$ 638,548	$ 698,462	$ 488,366
Contributions in relation to the contractually-required contribution	(641,008)	(646,700)	(638,548)	(698,462)	(488,366)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 4,631,561	$ 4,808,178	$ 5,079,936	$ 5,158,508	$ 4,963,069
Contributions as a percentage of covered payroll	13.84%	13.45%	12.57%	13.54%	9.84%

No assurance by a CPA is provided.
See Accompanying Notes to the Required Supplementary Information

Ashtabula Area City School District

Required Supplementary Information
Schedule of the District Pension Contributions
State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually-required contribution	$ 2,182,956	$ 2,115,178	$ 2,039,085	$ 1,900,997	$ 1,751,479
Contributions in relation to the contractually-required contribution	(2,182,956)	(2,115,178)	(2,039,085)	(1,900,997)	(1,751,479)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 15,592,543	$ 15,108,414	$ 14,564,893	$ 13,578,550	$ 13,472,914
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%

	2013	2012	2011	2010	2009
Contractually-required contribution	$ 1,887,488	$ 2,072,864	$ 2,291,453	$ 2,338,797	$ 2,368,513
Contributions in relation to the contractually-required contribution	(1,887,488)	(2,072,864)	(2,291,453)	(2,338,797)	(2,368,513)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 14,519,138	$ 15,945,108	$ 17,626,562	$ 17,990,746	$ 18,219,329
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%	13.00%

Ashtabula Area City School District

Required Supplementary Information
Schedule of the District Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio

For the Last Two Fiscal Years (1)

	2018 (1)	2017 (1)
District's Proportion of the Net OPEB Liability	0.1457565%	0.1496595%
District's Proportionate Share of the Net OPEB Liability	$ 3,911,721	$ 4,265,850
District' Covered-Employee Payroll	$ 4,694,671	$ 5,034,179
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	83.32%	84.74%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available. Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30 of the prior fiscal year.

Ashtabula Area City School District

Required Supplementary Information
Schedule of the District Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio

For the Last Two Fiscal Years (1)

		2018 (1)		2017 (1)
District's Proportion of the Net OPEB Liability		0.1365257%		0.1375711%
District's Proportionate Share of the Net OPEB Liability	$	5,326,730	$	7,357,336
District' Covered-Employee Payroll	$	15,108,414	$	14,564,893
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll		35.26%		50.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		47.10%		37.30%

(1) Information prior to 2017 is not available. Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30 of the prior fiscal year.

Ashtabula Area City School District

Required Supplementary Information
Schedule of the District OPEB Contributions
School Employees Retirement System of Ohio

For the Last 10 Fiscal Years

	2018	2017	2016	2015	2014
Contractually required contribution (1)	$ 105,977	$ 79,031	$ 75,937	$ 113,594	$ 84,998
Contributions in relation to the contractually required contribution	(105,977)	(79,031)	(75,937)	(113,594)	(84,998)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 4,774,114	$ 4,694,671	$ 5,034,179	$ 3,941,929	$ 4,592,921
Contributions as a percentage of covered payroll	2.22%	1.68%	1.51%	2.88%	1.85%

	2013	2012	2011	2010	2009
Contractually required contribution (1)	$ 84,308	$ 124,148	$ 221,581	$ 159,404	$ 487,393
Contributions in relation to the contractually required contribution	(84,308)	(124,148)	(221,581)	(159,404)	(487,393)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 4,631,561	$ 4,808,178	$ 5,079,936	$ 5,158,508	$ 4,963,069
Contributions as a percentage of covered payroll	1.82%	2.58%	4.36%	3.09%	9.82%

(1) Includes surcharge

Ashtabula Area City School District

Required Supplementary Information
Schedule of the School District OPEB Contributions
State Teachers Retirement System of Ohio

For the Last 10 Fiscal Years

	2018	2017	2016	2015	2014
Contractually required contribution	$ -	$ -	$ -	$ -	$ 134,729
Contributions in relation to the contractually required contribution	-	-	-	-	(134,729)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 14,878,257	$ 15,108,414	$ 14,564,893	$ 13,578,550	$ 13,472,914
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%

	2013	2012	2011	2010	2009
Contractually required contribution	$ 145,191	$ 159,451	$ 176,266	$ 179,907	$ 182,193
Contributions in relation to the contractually required contribution	(145,191)	(159,451)	(176,266)	(179,907)	(182,193)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 14,519,138	$ 15,945,108	$ 17,626,562	$ 17,990,746	$ 18,219,329
Contributions as a percentage of covered payroll	1.00%	1.00%	1.00%	1.00%	1.00%

Ashtabula Area City School District

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

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

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

	Fiscal Year 2018	**Fiscal Year 2017 and Prior**
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent

Note 1: Net Pension Liability (continued)

Changes in Assumptions – STRS (continued)

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA commences on fifth anniversary of retirement date.

The information presented in the required supplemental schedule was determined as part of the actuarial valuation for the dates indicated.

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

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

Changes in Benefit Terms - STRS

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

Ashtabula Area City School District

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

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%
Fiscal year 2017	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63%
Fiscal year 2017	2.98%

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% 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% to 7.45%. 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% to 1.9% 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.