CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

INDEPENDENT AUDITOR'S REPORT

Cloverleaf Local School District
Medina County
8525 Friendsville Road
Lodi, Ohio 44254

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, the District restated net position of its governmental activities due the understatement of deferred charges on refunding and the certificates of participation. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

March 20, 2019

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The discussion and analysis of Cloverleaf Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- The ending net position was $2,140,453, an increase of $19,136,842 from the prior fiscal year. The School District's increase in net position is the result of the decrease in the School District's net pension liability. The decrease of the net pension liability results from changes in assumptions and benefit terms.

- The School District had $20,215,128 in expenses related to governmental activities. $4,826,706 of these expenses were offset by program specific charges for services, operating grants and contributions, and capital grants and contributions, while the remaining amount was covered by general revenues totaling $34,525,264.

Using this Annual Financial Report

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

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Cloverleaf Local School District, the general, permanent improvement, and capital grants funds by far are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources except fiduciary funds using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and the willingness of the community to support the School District.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the permanent improvement fund, and the capital grants fund.

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal years 2018 and 2017:

Table 1
Net Position

	Governmental Activities		
	2018	(Restated) 2017	Change
Assets			
Current and Other Assets	$42,761,656	$37,790,252	$4,971,404
Capital Assets, Net	33,217,221	34,055,146	(837,925)
Total Assets	75,978,877	71,845,398	4,133,479
Deferred Outflows of Resources			
Deferred Charges on Refunding	1,500,241	1,568,881	(68,640)
Pension	9,493,756	8,261,831	1,231,925
OPEB	337,559	70,824	266,735
Total Deferred Outflows of Resources	$11,331,556	$9,901,536	$1,430,020

Table 1
Net Position (continued)

	Governmental Activities		
	2018	(Restated) 2017	Change
Liabilities			
Current and Other Liabilities	$2,962,609	$3,120,270	$157,661
Long-Term Liabilities:			
Due Within One Year	676,765	580,817	(95,948)
Due in More than One Year:			
Net Pension Liability	32,255,144	44,007,019	11,751,875
Net OPEB Liability	7,561,097	9,281,556	1,720,459
Other Amounts	27,893,206	28,172,956	279,750
Total Liabilities	71,348,821	85,162,618	13,813,797
Deferred Inflows of Resources			
Property Taxes	11,641,977	13,304,880	1,662,903
Payments in Lieu of Taxes	77,905	78,025	120
Pension	1,234,294	197,800	(1,036,494)
OPEB	866,983	0	(866,983)
Total Deferred Inflows of Resources	13,821,159	13,580,705	(240,454)
Net Position			
Net Investment in Capital Assets	8,415,542	8,916,003	(500,461)
Restricted:			
Capital Projects	1,882,472	1,857,512	24,960
Debt Service	0	97,269	(97,269)
Extracurricular Programs	217,638	166,701	50,937
Unclaimed Monies	11,657	10,070	1,587
Other Purposes	67,653	7,610	60,043
Unrestricted (Deficit)	(8,454,509)	(28,051,554)	19,597,045
Total Net Position	$2,140,453	($16,996,389)	$19,136,842

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

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care 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 plans *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred outflows/inflows of resources related to OPEB on the accrual basis of accounting. This implementation, as well as another restatement detailed in the notes to the financial statements, had the effect of restating net position at June 30, 2017, from ($7,714,975) to ($16,996,389).

Total governmental assets increased during fiscal year 2018. The majority of this increase can be attributed to the increase in current and other assets. The increase in current and other assets was primarily due to an increase in cash and cash equivalents, which is due to an increase in property taxes. Property taxes increased from the prior fiscal year due to an increased amount available from the County.

Total governmental liabilities decreased during fiscal year 2018. This decrease was due to long-term liabilities, which was mainly due to a decrease in the net pension liability. This decrease is a result of changes in assumptions and benefits terms. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption.

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

Table 2 shows total revenues, expenses and changes in net position for fiscal years 2018 and 2017:

Table 2
Change in Net Position

	Governmental Activities		
	2018	2017	Change
Revenues			
Program Revenues:			
Charges for Services	$2,346,411	$2,249,603	$96,808
Operating Grants and Contributions	2,339,979	1,971,697	368,282
Capital Grants and Contributions	140,316	0	140,316
Total Program Revenues	4,826,706	4,221,300	605,406
General Revenues:			
Property Taxes	16,429,589	15,068,461	1,361,128
Income Taxes	5,746,397	5,421,579	324,818
Payments in Lieu of Taxes	59,187	57,467	1,720
Grants and Entitlements, not Restricted	10,780,094	11,109,622	(329,528)
Shared Sales Taxes	1,101,052	1,103,037	(1,985)
Investment Earnings	156,167	108,921	47,246
Miscellaneous	252,778	217,856	34,922
Total General Revenues	34,525,264	33,086,943	1,438,321
Total Revenues	$39,351,970	$37,308,243	$2,043,727

(continued)

Table 2
Change in Net Position (continued)

	Governmental Activities		
	2018	2017	Change
Program Expenses			
Instruction:			
Regular	$5,935,434	$13,474,003	$7,538,569
Special	1,832,309	3,789,116	1,956,807
Vocational	15,635	109,339	93,704
Student Intervention Services	1,682,211	1,676,338	(5,873)
Support Services:			
Pupils	1,085,630	1,944,227	858,597
Instructional Staff	476,798	956,593	479,795
Board of Education	187,387	132,526	(54,861)
Administration	412,221	1,609,676	1,197,455
Fiscal	790,403	698,265	(92,138)
Business	101,052	104,665	3,613
Operation and Maintenance of Plant	2,695,536	2,808,752	113,216
Pupil Transportation	2,024,424	2,225,431	201,007
Central	93,812	90,940	(2,872)
Food Service Operations	826,448	976,697	150,249
Community Services	406,773	712,236	305,463
Extracurricular Activities	693,212	933,700	240,488
Interest and Fiscal Charges	955,843	1,209,950	254,107
Total Program Expenses	20,215,128	33,452,454	13,237,326
Change in Net Position	19,136,842	3,855,789	(11,193,599)
Net Position Beginning of Year	(16,996,389)	N/A	
Net Position End of Year	$2,140,453	($16,996,389)	$19,136,842

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 $70,824 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 outflows/inflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $1,023,056. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$20,215,128
Negative OPEB expense under GASB 75	1,023,056
2018 contractually required contribution	97,155
Adjusted 2018 program expenses	21,335,339
Total 2017 program expenses under GASB 45	33,452,454
Decrease in program expenses not related to OPEB	($12,117,115)

Governmental Activities

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption (see Note 23). As a result of these changes, pension expense decreased from $3,638,280 in fiscal year 2017 to a negative pension expense of $9,678,726 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	($5,996,818)
Special	(1,588,934)
Vocational	(41,258)
Student Intervention Services	(81,895)
Support Services:	
Pupils	(670,306)
Instructional Staff	(217,901)
Board of Education	(61)
Administration	(810,872)
Fiscal	(16,939)
Operation and Maintenance of Plant	(40,976)
Pupil Transportation	(51,484)
Central	(1,048)
Food Service Operations	(18,059)
Community Services	(7,004)
Extracurricular Activities	(135,171)
Total Expenses	($9,678,726)

The School District carefully tracks its revenues and expenses in order to avoid creating a deficit. Although the School District relies heavily upon local property taxes to support its operations, the School District relies upon and actively solicits and receives additional grant and entitlement funding to help offset some educational and operating costs.

As one can see, the three highest program expenses are for instructional purposes, operation and maintenance of plant and pupil transportation.

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

Table 3
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction:				
Regular	$5,935,434	$5,192,872	$13,474,003	$11,940,370
Special	1,832,309	415,708	3,789,116	3,133,980
Vocational	15,635	(2,611)	109,339	109,339
Student Intervention Services	1,682,211	1,606,071	1,676,338	1,671,507
Support Services:				
Pupils	1,085,630	854,893	1,944,227	1,768,615
Instructional Staff	476,798	332,959	956,593	837,272
Board of Education	187,387	178,693	132,526	132,526
Administration	412,221	342,730	1,609,676	1,606,920
Fiscal	790,403	757,295	698,265	686,251
Business	101,052	92,068	104,665	100,932
Operation and Maintenance of Plant	2,695,536	2,525,688	2,808,752	2,802,643
Pupil Transportation	2,024,424	1,769,356	2,225,431	2,225,431
Central	93,812	89,324	90,940	90,940
Food Service Operations	826,448	(144,575)	976,697	(55,040)
Community Services	406,773	64,610	712,236	352,636
Extracurricular Activities	693,212	357,498	933,700	616,882
Interest and Fiscal Charges	955,843	955,843	1,209,950	1,209,950
Total Expenses	$20,215,128	$15,388,422	$33,452,454	$29,231,154

School District's Funds

Information regarding the School District's major funds can be found beginning on page 16. These funds are accounted for using the modified accrual basis of accounting. Property taxes increased from the prior fiscal year due to increased amount available as advance from the County.

The fiscal year-end fund balance for the general fund saw an increase from the prior fiscal year's ending balance. This increase was due to an increase in property taxes related to an increase in the amount available from the County.

The permanent improvement fund saw an increase in fund balance. This was due to an increase in property tax revenue for the same reason as the general fund.

The capital grants fund saw a decrease in fund balance. This was due to an increase in debt service obligations during fiscal year 2018.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal year 2018, the School District amended its general fund budget. For the general fund, the final budget basis revenue estimates stayed the same compared to the original budget basis revenue estimates. Actual revenues were higher than final budgeted revenues due to higher than expected revenues in intergovernmental revenue. The final budgeted expenditures were lower than the original budgeted expenditures. Actual expenditures were higher than final budgeted expenditures mainly due to higher than expected regular instruction, pupils support services, operation and maintenance of plant and pupil transportation expenditures.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land, are reported net of depreciation. The decrease in capital assets was the result of annual depreciation exceeding the purchase of new assets, which mainly consisted of new buses and fencing upgrades for the bus garage. For more information on capital assets refer to Note 12 of the basic financial statements.

Debt

During the fiscal year, outstanding debt decreased due to paying down certificates of participation.

The 2009A and 2009B certificates of participation were issued for constructing and renovating a Pre-K to fourth grade school building. The 2009B debt was refunded by the 2014 certificates of participation in August of 2014 and the 2009A debt was partially refunded by the 2017 certificates of participation in May of 2017. This debt will be fully repaid in fiscal year 2019.

The 2014 certificates of participation were issued to refund a portion of the 2009B certificates of participation. This debt will be fully repaid in fiscal year 2038.

The 2017 certificates of participation were issued to refund a portion of the 2009A certificates of participation. This debt will be fully repaid in fiscal year 2025.

The School District's overall legal debt margin was $46,717,765 with an unvoted debt margin of $519,085.

In addition to the long-term debt, the School District's long-term obligations include net pension liability, net OPEB liability, capital leases and compensated absences. Additional information for long-term obligations can be found in Notes 13 and 14.

Current Financial Related Activities

The School District has faced a variety of financial challenges in recent years. On the May 6, 2014 ballot, the School District's voters passed an additional 3.5 mill operating levy and an additional 0.75% income tax. The School District's financial condition has significantly improved because of voter support.

The School District continues to strive for financial stability while attempting to maximize the impact on educational programs. The School District is currently projecting a positive cash balance within the five-year forecast through 2023. Management will continue to collaborate with staff members and the community to improve the financial condition of the School District for the benefit of students.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mr. James Hudson, Treasurer, at Cloverleaf Local School District, 8525 Friendsville Road, Lodi, Ohio 44254, or email at jim.hudson@cloverleaflocal.org.

Cloverleaf Local School District

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$24,010,891
Accrued Interest Receivable	25,631
Property Taxes Receivable	14,912,287
Income Taxes Receivables	2,263,850
Payments in Lieu of Taxes Receivable	77,905
Accounts Receivable	14,589
Intergovernmental Receivable	1,364,925
Prepaid Items	80,109
Inventory Held for Resale	8,602
Materials and Supplies Inventory	2,867
Nondepreciable Capital Assets	593,900
Depreciable Capital Assets, Net	32,623,321
Total Assets	75,978,877
Deferred Outflows of Resources	
Deferred Charges on Refunding	1,500,241
Pension	9,493,756
OPEB	337,559
Total Deferred Outflows of Resources	11,331,556
Liabilities	
Accrued Wages and Benefits	1,918,915
Intergovernmental Payable	446,247
Accrued Interest Payable	311,612
Matured Compensated Absences Payable	67,062
Accounts Payable	122,538
Contracts Payable	96,235
Long-Term Liabilities:	
Due Within One Year	676,765
Due In More Than One Year:	
Net Pension Liability (See Note 23)	32,255,144
Net OPEB Liability (See Note 24)	7,561,097
Other Amounts Due in More Than One Year	27,893,206
Total Liabilities	71,348,821
Deferred Inflows of Resources	
Property Taxes	11,641,977
Payments in Lieu of Taxes	77,905
Pension	1,234,294
OPEB	866,983
Total Deferred Inflows of Resources	13,821,159
Net Position	
Net Investment in Capital Assets	8,415,542
Restricted for:	
Capital Projects	1,882,472
Extracurricular Activities	217,638
Unclaimed Monies	11,657
Other Purposes	67,653
Unrestricted (Deficit)	(8,454,509)
Total Net Position	$2,140,453

See accompanying notes to the basic financial statements

Cloverleaf Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	$5,935,434	$655,793	$60,160	$26,609	($5,192,872)
Special	1,832,309	131,374	1,285,227	0	(415,708)
Vocational	15,635	3,052	15,194	0	2,611
Student Intervention Services	1,682,211	76,140	0	0	(1,606,071)
Support Services:					
Pupils	1,085,630	81,008	149,729	0	(854,893)
Instructional Staff	476,798	29,875	113,964	0	(332,959)
Board of Education	187,387	8,694	0	0	(178,693)
Administration	412,221	68,120	0	1,371	(342,730)
Fiscal	790,403	30,728	0	2,380	(757,295)
Business	101,052	8,984	0	0	(92,068)
Operation and Maintenance of Plant	2,695,536	111,088	0	58,760	(2,525,688)
Pupil Transportation	2,024,424	96,609	111,307	47,152	(1,769,356)
Central	93,812	4,488	0	0	(89,324)
Food Service Operations	826,448	419,453	547,526	4,044	144,575
Community Services	406,773	340,773	1,390	0	(64,610)
Extracurricular Activities	693,212	280,232	55,482	0	(357,498)
Interest and Fiscal Charges	955,843	0	0	0	(955,843)
Total	$20,215,128	$2,346,411	$2,339,979	$140,316	(15,388,422)

General Revenues	
Property Taxes Levied for:	
General Purposes	15,490,116
Capital Projects	939,473
Income Taxes Levied for General Purposes	5,746,397
Payments in Lieu of Taxes	59,187
Grants and Entitlements not Restricted to Specific Programs	10,780,094
Shared Sales Taxes	1,101,052
Investment Earnings	156,167
Miscellaneous	252,778
Total General Revenues	34,525,264
Change in Net Position	19,136,842
Net Position Beginning of Year - Restated (See Note 3)	(16,996,389)
Net Position End of Year	$2,140,453

See accompanying notes to the basic financial statements

Cloverleaf Local School District

Balance Sheet

Governmental Funds

June 30, 2018

	General	Permanent Improvement	Capital Grants	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$21,984,048	$1,589,722	$145,865	$279,599	$23,999,234
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	11,657	0	0	0	11,657
Accrued Interest Receivable	25,631	0	0	0	25,631
Property Taxes Receivable	14,068,854	843,433	0	0	14,912,287
Income Taxes Receivables	2,263,850	0	0	0	2,263,850
Payments in Lieu of Taxes Receivable	73,418	4,487	0	0	77,905
Accounts Receivable	14,541	0	0	48	14,589
Intergovernmental Receivable	215,298	0	820,848	328,779	1,364,925
Interfund Receivable	960,806	0	0	0	960,806
Prepaid Items	77,458	0	0	2,651	80,109
Inventory Held for Resale	0	0	0	8,602	8,602
Materials and Supplies Inventory	0	0	0	2,867	2,867
Total Assets	$39,695,561	$2,437,642	$966,713	$622,546	$43,722,462
Liabilities					
Accrued Wages and Benefits	$1,785,081	$0	$0	$133,834	$1,918,915
Intergovernmental Payable	414,053	0	0	32,194	446,247
Matured Compensated Absences Payable	49,206	0	0	17,856	67,062
Accounts Payable	90,611	27,975	0	3,952	122,538
Contracts Payable	96,235	0	0	0	96,235
Interfund Payable	0	837,226	0	123,580	960,806
Total Liabilities	2,435,186	865,201	0	311,416	3,611,803
Deferred Inflows of Resources					
Property Taxes	10,988,041	653,936	0	0	11,641,977
Payments in Lieu of Taxes	73,418	4,487	0	0	77,905
Unavailable Revenue	722,202	15,277	565,986	328,779	1,632,244
Total Deferred Inflows of Resources	11,783,661	673,700	565,986	328,779	13,352,126
Fund Balances					
Nonspendable	89,115	0	0	5,518	94,633
Restricted	0	898,741	400,727	236,123	1,535,591
Committed	222,589	0	0	2,928	225,517
Assigned	517,014	0	0	0	517,014
Unassigned (Deficit)	24,647,996	0	0	(262,218)	24,385,778
Total Fund Balances (Deficit)	25,476,714	898,741	400,727	(17,649)	26,758,533
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$39,695,561	$2,437,642	$966,713	$622,546	$43,722,462

See accompanying notes to the basic financial statements

Cloverleaf Local School District

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

Total Governmental Fund Balances		$26,758,533
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.		33,217,221
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	257,550	
Income Taxes	406,116	
Intergovernmental	402,387	
County Levied Sales Tax	565,986	
Tuition and Fees	205	
Total		1,632,244
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.		1,500,241
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(311,612)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of Participation	(26,003,034)	
Capital Leases	(298,886)	
Compensated Absences	(2,268,051)	
Total		(28,569,971)
The net pension and net OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred outflows/inflows are not reported in governmental funds:		
Deferred Outflows - Pension	9,493,756	
Deferred Outflows - OPEB	337,559	
Net Pension Liability	(32,255,144)	
Net OPEB Liability	(7,561,097)	
Deferred Inflows - Pension	(1,234,294)	
Deferred Inflows - OPEB	(866,983)	
Total		(32,086,203)
Net Position of Governmental Activities		$2,140,453

See accompanying notes to the basic financial statements

Cloverleaf Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2018

	General	Permanent Improvement	Capital Grants	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$15,489,543	$939,063	$0	$0	$16,428,606
Income Taxes	5,735,239	0	0	0	5,735,239
Payments in Lieu of Taxes	56,196	2,991	0	0	59,187
Intergovernmental	11,453,135	140,316	1,101,411	1,400,352	14,095,214
Interest	155,632	0	0	535	156,167
Tuition and Fees	1,327,497	0	0	0	1,327,497
Charges for Services	364,067	0	0	348,953	713,020
Extracurricular Activities	17,111	0	0	221,896	239,007
Contributions and Donations	26,832	0	0	32,040	58,872
Rentals	66,682	0	0	0	66,682
Miscellaneous	180,475	0	0	72,303	252,778
Total Revenues	34,872,409	1,082,370	1,101,411	2,076,079	39,132,269
Expenditures					
Current:					
Instruction:					
Regular	12,786,635	159,328	0	49,434	12,995,397
Special	3,283,432	0	0	594,884	3,878,316
Vocational	65,019	0	0	0	65,019
Student Intervention Services	1,791,603	0	0	0	1,791,603
Support Services:					
Pupils	1,735,198	0	0	211,909	1,947,107
Instructional Staff	650,399	0	0	114,649	765,048
Board of Education	187,587	0	0	0	187,587
Administration	1,417,049	8,211	0	20,827	1,446,087
Fiscal	733,222	14,251	0	97,147	844,620
Business	96,738	0	0	4,314	101,052
Operation and Maintenance of Plant	2,390,862	351,842	0	6,610	2,749,314
Pupil Transportation	2,095,868	282,341	0	0	2,378,209
Central	96,331	0	0	0	96,331
Food Service Operations	1,441	24,217	0	838,020	863,678
Community Services	309,779	0	0	0	309,779
Extracurricular Activities	605,571	0	0	184,669	790,240
Capital Outlay	0	54,588	2,600	0	57,188
Debt Service:					
Principal Retirement	96,100	0	330,000	0	426,100
Interest and Fiscal Charges	18,988	0	932,029	0	951,017
Total Expenditures	28,361,822	894,778	1,264,629	2,122,463	32,643,692
Net Change in Fund Balances	6,510,587	187,592	(163,218)	(46,384)	6,488,577
Fund Balances Beginning of Year	18,966,127	711,149	563,945	28,735	20,269,956
Fund Balances (Deficit) End of Year	$25,476,714	$898,741	$400,727	($17,649)	$26,758,533

See accompanying notes to the basic financial statements

Cloverleaf Local School District

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

Net Change in Fund Balances - Total Governmental Funds		$6,488,577
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 depreciation exceeded capital outlay in the current period:		
Capital Outlay	505,218	
Current Year Depreciation	(1,205,075)	
Total		(699,857)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(138,068)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	983	
Income Taxes	11,158	
Intergovernmental	207,714	
County Levied Sales Tax	(359)	
Tuition and Fees	205	
Total		219,701
Repayment of certificates of participation and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		426,100
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:		
Accrued Interest	83,810	
Amortization of Certificates of Participation Discounts	(19,996)	
Amortization of Deferred Charge on Refunding	(68,640)	
Total		(4,826)
Compensated absences 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.		(222,302)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	2,268,580	
OPEB	97,155	
Total		2,365,735
Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liabilities are reported as pension/OPEB expense in the statement of activities:		
Pension	9,678,726	
OPEB	1,023,056	
Total		10,701,782
Change in Net Position of Governmental Activities		$19,136,842

See accompanying notes to the basic financial statements

Cloverleaf Local School District

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Property Taxes	$9,723,640	$9,723,640	$9,723,640	$0
Income Taxes	5,700,083	5,700,083	5,700,083	0
Payments in Lieu of Taxes	43,000	43,000	41,216	(1,784)
Intergovernmental	9,817,406	9,817,406	10,998,401	1,180,995
Interest	327,516	327,516	327,516	0
Tuition and Fees	1,030,103	1,030,103	1,030,103	0
Extracurricular Activities	5,000	5,000	4,116	(884)
Miscellaneous	48,852	48,852	48,095	(757)
Total Revenues	26,695,600	26,695,600	27,873,170	1,177,570
Expenditures				
Current:				
Instruction:				
Regular	12,048,465	9,128,312	9,155,587	(27,275)
Special	3,510,570	2,661,582	2,661,842	(260)
Vocational	88,000	66,720	66,720	0
Student Intervention Services	2,156,844	1,634,188	1,638,688	(4,500)
Support Services:				
Pupils	2,314,197	1,731,581	1,826,682	(95,101)
Instructional Staff	809,531	612,964	616,298	(3,334)
Board of Education	221,988	167,276	171,538	(4,262)
Administration	1,957,855	1,484,283	1,484,796	(513)
Fiscal	877,181	665,061	665,061	0
Business	124,020	92,862	97,691	(4,829)
Operation and Maintenance of Plant	3,107,165	2,344,590	2,390,909	(46,319)
Pupil Transportation	2,773,934	2,093,673	2,132,830	(39,157)
Central	124,638	94,498	94,498	0
Extracurricular Activities	746,944	566,318	566,318	0
Debt Service:				
Principal Retirement	96,100	96,100	96,100	0
Interest and Fiscal Charges	18,988	18,988	18,988	0
Total Expenditures	30,976,420	23,458,996	23,684,546	(225,550)
Excess of Revenues Over (Under) Expenditures	(4,280,820)	3,236,604	4,188,624	952,020
Other Financing Sources (Uses)				
Advances In	155,000	155,000	60,880	(94,120)
Advances Out	(123,580)	(123,580)	(123,580)	0
Total Other Financing Sources (Uses)	31,420	31,420	(62,700)	(94,120)
Net Change in Fund Balance	(4,249,400)	3,268,024	4,125,924	857,900
Fund Balance Beginning of Year	12,877,713	12,877,713	12,877,713	0
Fund Balance End of Year	$8,628,313	$16,145,737	$17,003,637	$857,900

See accompanying notes to the basic financial statements

Cloverleaf Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	Scholarship and Alumni Programs	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$26,634	$80,270
Liabilities		
Due to Others	0	$80,270
Net Position		
Held in Trust for Scholarships	$26,634	

See accompanying notes to the basic financial statements

Cloverleaf Local School District

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

	Scholarship and Alumni Programs
Additions	
Contributions and Donations	$8,853
Miscellaneous	4,315
Total Additions	13,168
Deductions	
Scholarships Awarded	8,443
Change in Net Position	4,725
Net Position Beginning of Year	21,909
Net Position End of Year	$26,634

See accompanying notes to the basic financial statements

Note 1 – Description of the School District and Reporting Entity

The Cloverleaf Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District is governed by a five-member Board of Education (the Board) elected by its citizens, which is responsible for the provision of public education to residents of the School District.

The School District is located in Medina County and encompasses the Village of Lodi, Village of Westfield Center, Village of Seville, Village of Chippewa Lake, Village of Gloria Glens, Westfield Township, Harrisville Township, Chatham Township and Lafayette Township. The School District currently operates one elementary school, one middle school and one high school, which are staffed by 20 administrators, 185 certified employees, and 159 non-certified employees, who provide services to 2,257 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District does not have any component units.

The School District participates in three jointly governed organizations and two public entity risk pools. These organizations are the Northeast Ohio Network for Educational Technology (NEOnet), the Medina County Career Center, the Ohio Schools Council, the Stark County Schools Council of Governments and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are addressed in Notes 18 and 19 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

The following are the School District's major governmental funds:

> ***General Fund*** The general fund is the general operating fund of the School District and is used to account for and report all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Permanent Improvement Fund*** The permanent improvement fund is used to account for financial resources that are restricted for the acquisition or construction of major capital facilities.
>
> ***Capital Grants Fund*** The capital grants fund is used to account for revenues or grants received from another local government that are restricted to expenditures for permanent improvements.

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

Fiduciary Funds Types Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust, which accounts for scholarship and alumni programs. The School District's agency fund is purely custodial in nature (assets equal liabilities) and thus does not involve measurement of results of operations. The agency fund reflects resources that belong to the student bodies of the various schools and the sales and other revenue generated by student activities.

Measurement Focus

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. Revenue from income taxes is recognized as revenue on the accrual basis in the period in which income is earned (see Note 8). Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 9). 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 23 and 24.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB plans and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants, shared sales taxes, and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 23 and 24).

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled except for certain investments for the private purpose trust funds. Individual fund integrity is maintained through the School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2018, investments were limited to STAR Ohio, money market accounts, federal home loan mortgage corporation bonds, federal home loan bank bonds, federal national mortgage association bonds, federal farm credit bank bonds, commercial paper, and negotiable certificates of deposit.

Investments, except for commercial paper and STAR Ohio, are reported at fair value which is based on quoted market prices, with the exception of certificates of deposit, which are reported at cost. The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

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

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates; however, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transactions to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during the fiscal year 2018 amounted to $155,632, which included $13,206 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported as cash equivalents.

Restricted Assets

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

Prepaids

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

Inventory

Inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are presented on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

Capital Assets

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

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

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

Description	Estimated Lives
Land Improvements	5-20 Years
Buildings and Improvements	30-50 Years
Furniture and Equipment	5-20 Years
Vehicles	5-20 Years

Interfund Balances

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

Compensated Absences

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

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

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

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have resigned or retired will be paid. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

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

Fund Balances

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. State Statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The Board of Education also assigned fund balance for uniform school supplies and public school support.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any 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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes included resources which will be used for regular education, special education, pupil support services and instructional staff support services.

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

Estimates

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

Budgetary Data

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

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

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

Certificates of Participation Discounts

On the government-wide financial statements, certificates of participation discounts are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Certificates of participation discounts are presented as a decrease of the face amount of the certificates of participation payable. On governmental fund statements, discounts are financing uses in the year the certificates of participation are issued.

Deferred Charges on Refunding

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

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

Changes in Accounting Principles

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

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

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

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred outflows/inflows of resources as the information needed to generate these restatements was not available.

Restatement of Net Position

During fiscal year 2018, it was determined that deferred charges on refunding and the certificates of participation had been understated at June 30, 2017.

These restatements and the implementation of GASB Statement No. 75 had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	($7,714,975)
Adjustments:	
Deferred Charges on Refunding	271,040
OPEB - Payments Subsequent to Measurement Date	70,824
Net OPEB Liability	(9,281,556)
Certificates of Participation	(341,722)
Restated Net Position July 1, 2017	($16,996,389)

Note 4 – Accountability

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

Fund	Negative Fund Balances
Special Revenue Funds:	
Food Service	$11,840
Title VI-B	149,418
Title I	84,773
Early Childhood Special Education	1,193
Reducing Class Size	8,480
Miscellaneous Federal Grants	996

The special revenue funds' deficit balances for food service, title VI-B and title I resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the funds and provides transfers when cash is required, not when accruals occur.

The special revenue funds' deficit balances for early childhood special education, reducing class size, and miscellaneous federal grants result from an interfund payable in each of the funds. The general fund provided money to operate the program until grants and other monies are received and the advance can be repaid.

Note 5 – Budgetary Basis of Accounting

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

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

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

2. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).

3. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

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

6. Budgetary revenues and expenditures of the uniform school supply, recreation, food service consultation, emergency levy, public school support, unclaimed monies and employee benefits funds are reclassified to the general fund for GAAP reporting.

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

The following tables summarize the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Balance

	General
GAAP Basis	$6,510,587
Net Adjustment for Revenue Accruals	(1,022,731)
Beginning Fair Value Adjustment for Investments	(10,507)
Ending Fair Value Adjustment for Investments	220,566
Ending Unrecorded Cash	(11,487)
Net Adjustment for Expenditure Accruals	(44,796)
Advances In	60,880
Advances Out	(123,580)
Perspective Differences:	
Uniform School Supply	10,716
Recreation	(32,766)
Food Service Consultation	(73,559)
Emergency Levy	(975,074)
Public School Support	(13,496)
Unclaimed Monies	(1,587)
Employee Benefits	(141,936)
Adjustment for Encumbrances	(225,306)
Budget Basis	$4,125,924

Note 6 – Fund Balances

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

Fund Balances	General	Permanent Improvement	Capital Grants	Other Governmental Funds	Total
Nonspendable:					
Prepaids	$77,458	$0	$0	$2,651	$80,109
Materials and Supplies Inventory	0	0	0	2,867	2,867
Unclaimed Monies	11,657	0	0	0	11,657
Total Nonspendable	89,115	0	0	5,518	94,633
Restricted for:					
Capital Projects	0	898,741	400,727	1,741	1,301,209
Debt Service	0	0	0	122	122
Extracurricular Activities	0	0	0	217,638	217,638
Other Purposes	0	0	0	16,622	16,622
Total Restricted	0	898,741	400,727	236,123	1,535,591
Committed to:					
Community Recreation	222,589	0	0	0	222,589
Background Checks	0	0	0	2,928	2,928
Total Committed	222,589	0	0	2,928	225,517
Assigned to:					
Purchases on Order:					
Student Instruction	28,237	0	0	0	28,237
Support Services	128,152	0	0	0	128,152
Uniform School Supplies	224,432	0	0	0	224,432
Public School Support	136,193	0	0	0	136,193
Total Assigned	517,014	0	0	0	517,014
Unassigned (Deficit)	24,647,996	0	0	(262,218)	24,385,778
Total Fund Balance (Deficit)	$25,476,714	$898,741	$400,727	($17,649)	$26,758,533

Note 7 – Deposits and Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, $427,340 of the School District's total bank balance of $4,032,570 was exposed to custodial credit risk because those deposits were uninsured and uncollaterized. One of the School District's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

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

		Investment Maturities (in Years)			
Measurement/Investment	Measurement Amount	Less than 1	1-2	2-3	3-5
Net Asset Value Per Share:					
STAR Ohio	$5,992,677	$5,992,677	$0	$0	$0
Fair Value - Level 1 Inputs:					
Money Market	2,707,296	2,707,296	0	0	0
Fair Value - Level 2 Inputs:					
Federal Home Loan Mortgage Corporation Bonds	3,732,583	0	491,950	1,882,471	1,358,162
Federal Home Loan Bank Bonds	850,834	0	0	0	850,834
Federal National Mortgage Association Bonds	528,054	0	0	0	528,054
Federal Farm Credit Bank Bonds	878,013	0	0	0	878,013
Commercial Paper	1,097,491	1,097,491	0	0	0
Negotiable Certificates of Deposit	4,307,884	992,517	1,350,100	728,299	1,236,968
Total Portfolio	$20,094,832	$10,789,981	$1,842,050	$2,610,770	$4,852,031

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

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates, and according to State law, the School District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District and that investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements shall not exceed thirty days.

Credit Risk The School District's investment policy requires certain credit ratings for some investments as allowed by State law. STAR Ohio carries a credit rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, and Federal Farm Credit Bank Bonds carry a rating of AA+ by Standard & Poor's.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2018:

Measurement/Investment	Percent of Total Investments
Net Asset Value Per Share:	
STAR Ohio	N/A
Fair Value - Level 1 Inputs:	
Money Market	13.47%
Fair Value - Level 2 Inputs:	
Federal Home Loan Mortgage Corporation Bonds	18.57
Federal Home Loan Bank Bonds	N/A
Federal National Mortgage Association Bonds	N/A
Federal Farm Credit Bank Bonds	N/A
Commercial Paper	5.46
Negotiable Certificates of Deposit	21.44

Note 8 – Income Tax

The School District levies a voted tax of 1.25 percent for general operations of the earned income of residents. The first 0.5 percent tax was effective during fiscal year 2007, and the second 0.75 percent tax was passed on May 6, 2014. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

Note 9 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected in calendar year 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Medina County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2018, was $2,838,540 in the general fund and $174,220 in the permanent improvement fund. The amount available as an advance at June 30, 2017, was $1,444,220 in the general fund and $82,900 in the permanent improvement fund. The difference was in the timing and collection by the County Auditor.

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

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

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$499,198,390	97.53%	$504,979,440	97.28%
Public Utility Personal Property	12,639,150	2.47%	14,105,480	2.72%
Total	$511,837,540	100.00%	$519,084,920	100.00%
Tax rate per $1,000 of Assessed Valuation	$59.00		$58.30	

The tax rate decreased due to an increase in property tax values in the School District during fiscal year 2018. The increase in property tax values caused the tax rate to decrease so that the emergency levy would meet its collection amount.

Note 10 – Tax Abatements

For fiscal year 2018, the School District’s property taxes were reduced under community reinvestment area (CRA) agreements entered into by the Village of Seville. The amount of fiscal year 2018 taxes abated was $198,450. Payments in lieu of taxes during the fiscal year were $59,187.

Note 11 – Receivables

Receivables at June 30, 2018, consisted of accrued interest, taxes, payments in lieu of taxes, accounts (tuition and fees, charges for services, extracurricular activities, miscellaneous and refund of prior year expenditures), intergovernmental grants and disbursements and interfund. The School District receives a portion of a 0.5 percent sales tax levied by the County. The sales tax is allocated to the public schools based on a student count and is recorded as an intergovernmental revenue. 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. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivable	Amounts
Governmental Funds:	
County Levied Sales Tax	$820,848
IDEA-B Grant	161,183
Title I-A Grant	141,834
Workers' Compensation Reimbursement	81,614
Medicaid Settlement	73,608
Foundation Settlement	60,076
Title II-A Grant	17,225
Title VI-A Grant	4,742
IDEA Early Childhood Grant	2,668
Strategies Secondary Transition Grant	1,127
Total Governmental Funds	$1,364,925

Payments in Lieu of Taxes

The School District is party to Tax Increment Financing (TIF) agreements. Municipalities, townships and counties can enter into TIF agreements, which lock in real property at its unimproved value for up to 30 years in a defined TIF district. Some TIF agreements also require the TIF government to allocate service payments to school districts and other governments to help offset the property taxes these governments would have received had the improvements to real property not been exempted. The service payments that the School District receives as part of the TIF agreements are presented on the financial statements as Payments in Lieu of Taxes.

Note 12 – Capital Assets

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

	Balance 7/1/17	Additions	Deletions	Balance 6/30/18
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$593,900	$0	$0	$593,900
Capital Assets, being depreciated:				
Land Improvements	1,903,673	132,477	0	2,036,150
Buildings and Improvements	41,566,618	14,300	(121,765)	41,459,153
Furniture and Equipment	2,214,913	25,974	0	2,240,887
Vehicles	2,835,402	332,467	(163,011)	3,004,858
Total Capital Assets, being depreciated	48,520,606	505,218	(284,776)	48,741,048
Less Accumulated Depreciation:				
Land Improvements	(1,552,837)	(70,453)	0	(1,623,290)
Buildings and Improvements	(10,481,555)	(881,212)	0	(11,362,767)
Furniture and Equipment	(1,315,921)	(134,586)	0	(1,450,507)
Vehicles	(1,709,047)	(118,824)	146,708	(1,681,163)
Total Accumulated Depreciation	(15,059,360)	(1,205,075) *	146,708	(16,117,727)
Total Capital Assets, being depreciated, net	33,461,246	(699,857)	(138,068)	32,623,321
Governmental Activities Capital Assets, Net	$34,055,146	($699,857)	($138,068)	$33,217,221

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$743,744
Special	584
Vocational	3,655
Support Services:	
Instructional Staff	20,069
Fiscal	2,072
Operation and Maintenance of Plant	74,143
Pupil Transportation	103,742
Central	410
Food Service Operations	21,466
Community Services	123,750
Extracurricular Activities	111,440
Total Depreciation Expense	$1,205,075

Note 13 – Capital Leases

In prior fiscal years, the School District entered into capital leases for three school buses and for copier equipment. The assets acquired through the capital leases were capitalized at the present value of the minimum lease payments at the time the leases were entered into.

The assets acquired through the capital leases are as follows:

	Governmental Activities
Asset:	
Furniture and Equipment	$232,917
Vehicles	272,424
Less: Accumulated Depreciation	(101,752)
Total	$403,589

The leases provide for minimum, annual lease payments as follows:

Fiscal Year	Governmental Activities
2019	$115,088
2020	115,086
2021	85,498
2022	9,446
Less: Amount Representing Interest	(26,232)
Present Value of Minimum Lease Payments	$298,886

Note 14 – Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Certificates of Participation:			
2009 Certificates of Participation	2.00% - 7.75%	$3,845,000	March 1, 2025
2014 Refunding Certificates of Participation	2.00 - 4.00	23,370,000	March 1, 2038
2017 Refunding Certificates of Participation	2.26	3,485,000	March 1, 2025

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

	Principal Outstanding 7/1/17	Additions	Reductions	Principal Outstanding 6/30/18	Amount Due in One Year
Certificates of Participation:					
2009 Certificates of Participation:					
Serial Certificates	$425,000	$0	($180,000)	$245,000	$245,000
Discount	(15,573)	0	7,787	(7,786)	0
2014 Refunding Certificates of Participation:					
Serial Certificates	1,725,000	0	(85,000)	1,640,000	85,000
Term Certificates	20,950,000	0	0	20,950,000	0
Discount	(256,389)	0	12,209	(244,180)	0
2017 Refunding Certificates of Participation:					
Term Certificates	3,485,000	0	(65,000)	3,420,000	50,000
Total Certificates of Participation	26,313,038	0	(310,004)	26,003,034	380,000
Other Long-Term Obligations:					
Net Pension Liability:					
SERS	9,587,867	0	(1,802,921)	7,784,946	0
STRS	34,419,152	0	(9,948,954)	24,470,198	0
Total Net Pension Liability	44,007,019	0	(11,751,875)	32,255,144	0
Net OPEB Liability:					
SERS	3,782,364	0	(240,330)	3,542,034	0
STRS	5,499,192	0	(1,480,129)	4,019,063	0
Total Net OPEB Liability	9,281,556	0	(1,720,459)	7,561,097	0
Capital Leases	394,986	0	(96,100)	298,886	101,042
Compensated Absences	2,045,749	348,318	(126,016)	2,268,051	195,723
Total Other Long-Term Obligations	55,729,310	348,318	(13,694,450)	42,383,178	296,765
Total Governmental Activities Long-Term Liabilities	$82,042,348	$348,318	($14,004,454)	$68,386,212	$676,765

On October 22, 2009, the School District issued coupons of $3,845,000 and federally taxable Build America Bonds (BABs) of $21,815,000 in Certificates of Participation (COPs) for the purpose of the construction of a Pre-K to fourth grade school building. The certificates of participation were issued for a 28 year period with final maturity in fiscal year 2038. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Ohio School Building Leasing Corporation, and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of five years with includes the right to renew for 28 successive one-year terms through fiscal year 2038 subject to annual appropriations. To satisfy the trustee agreements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 2 to 7.75 percent. The COPs were sold at a discount of $204,746. The School District has the option to purchase the renovations on any lease payment date by paying the amount necessary to defease the indenture. In fiscal year 2015, the BABs portion of this debt issue were refunded. In fiscal year 2017, the coupons portion of this debt issue were refunded.

On July 29, 2014, the School District issued $23,370,000 in Refunding Certificates of Participation (COPs) for the purpose of refunding a portion of the 2009 Certificates of Participation, which included $2,420,000 in serial bonds and $20,950,000 in term bonds. The certificates of participation were issued for a 24 year period with final maturity in fiscal year 2038. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Ohio School Building Leasing Corporation, and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of 5 years, which includes the right to renew for 24 successive one-year terms through fiscal year 2038 subject to annual appropriations. To satisfy the trustee agreements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 2 to 4 percent. The School District has the option to purchase the renovations on any lease payment date by paying the amount necessary to defease the indenture.

Optional Redemption The COPs maturing after March 1, 2023 are subject to prior redemption at the option of the Trustee, under the direction of the Board, either in whole or in part, in such order as the Trustee shall determine, under the direction of the Board, on any date on or after March 1, 2023, at 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption The term bonds maturing on March 1, 2025 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on March 1 in the years and in the respective principal amounts as follows:

	Issue				
Year	$2,235,000	$2,460,000	$2,965,000	$3,620,000	$9,670,000
2027	$1,125,000	$0	$0	$0	$0
2029	0	1,180,000	0	0	0
2031	0	0	1,410,000	0	0
2033	0	0	0	1,720,000	0
2035	0	0	0	0	2,090,000
2036	0	0	0	0	2,295,000
2037	0	0	0	0	2,525,000
Total mandatory sinking fund payment	1,125,000	1,180,000	1,410,000	1,720,000	6,910,000
Amount due at stated maturity	1,110,000	1,280,000	1,555,000	1,900,000	2,760,000
Total	$2,235,000	$2,460,000	$2,965,000	$3,620,000	$9,670,000
Stated Maturity	3/1/2028	3/1/2030	3/1/2032	3/1/2034	3/1/2038

The certificates of participation were sold at a discount of $293,016. Net proceeds of $22,812,270 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various COPs. As a result, $21,815,000 of these COPs is considered defeased and the liability for the refunded portion of these COPs has been removed from the School District's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included on the School District's financial statements. On June 30, 2018, $21,815,000 of the defeased bonds are still outstanding.

On March 27, 2017, the School District issued $3,485,000 in Refunding Certificates of Participation (COPs) for the purpose of refunding a portion of the 2009 Certificates of Participation, which are entirely term bonds. The certificates of participation were issued for an 8 year period with final maturity in fiscal year 2025. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Ohio School Building Leasing Corporation, and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of five years with includes the right to renew for 8 successive one-year terms through fiscal year 2025 subject to annual appropriations. To satisfy the trustee agreements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 2.26 percent. The School District has the option to purchase the renovations on any lease payment date by paying the amount necessary to defease the indenture.

Optional Redemption The COPs maturing after March 1, 2021 are subject to prior redemption at the option of the Trustee, under the direction of the Board, either in whole or in part, in such order as the Trustee shall determine, under the direction of the Board, on any date on or after March 1, 2021, at 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption The term bonds maturing on March 1, 2025 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on March 1 in the years and in the respective principal amounts as follows:

Year	Issue $3,485,000
2018	$65,000
2019	50,000
2020	365,000
2021	435,000
2022	515,000
2023	595,000
2024	685,000
Total mandatory sinking fund payment	2,710,000
Amount due at stated maturity	775,000
Total	$3,485,000
Stated Maturity	3/1/2025

Net proceeds of $3,415,238 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various COPs. As a result, $3,190,000 of these COPs is considered defeased and the liability for the refunded portion of these COPs has been removed from the School District's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included on the School District's financial statements. On June 30, 2018, $3,190,000 of the defeased bonds are still outstanding.

The COPs will be paid from the capital grants fund. There is no repayment schedule for the net pension/OPEB liabilities; however, employer pension/OPEB contributions are made from the general fund and the food service, title VI-B, title I, preschool grant and miscellaneous federal grants special revenue funds. For additional information related to the net pension and net OPEB liabilities, see Notes 23 and 24. The capital leases will be paid from the general fund. The compensated absences liability will be paid from the general fund and the food service, title VI-B, title I, preschool grant and other federal grants special revenue funds.

The School District's overall debt margin was $46,717,765 with an unvoted debt margin of $519,085 at June 30, 2018. Principal and interest requirements to retire outstanding long-term obligations at June 30, 2018, are as follows:

	Certificates of Participation			
	Serial		Term	
Fiscal Year	Principal	Interest	Principal	Interest
2019	$330,000	$858,344	$50,000	$77,292
2020	85,000	845,431	365,000	76,162
2021	90,000	843,731	435,000	67,913
2022	90,000	841,706	515,000	58,082
2023	95,000	839,456	595,000	46,443
2024-2028	1,195,000	2,495,369	3,695,000	1,588,255
2029-2033	0	0	7,145,000	3,109,400
2034-2038	0	0	11,570,000	1,469,850
Total	$1,885,000	$6,724,037	$24,370,000	$6,493,397

Note 15 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Twelve month classified employees can earn up to twenty-five days of vacation per year, but cannot accumulate more than forty days. Twelve month administrators earn twenty days of vacation per year. Only twenty days of vacation can be carried over to the next year. Accumulated unused vacation time is paid to twelve month classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximums for certified staff, classified staff and administrators**.** Upon retirement, the School District, will issue payment for up to a maximum as identified within the negotiated agreements. Classified employees with the School District receive payment for up to a maximum of eighty-five days computed according to negotiated agreements.

Administrators earn sick leave at the rate of one and one-fourth days per month. Upon termination, administrators will receive thirty percent of all accumulated sick leave and unused personal days up to three hundred days at the time of retirement. An employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS.

Employees may earn up to a maximum of three days of personal leave per year. Personal leave may not be accumulated. Unused personal leave becomes sick leave at the conclusion of the contract year.

Health Insurance Benefits

The School District has contracted with Stark County Schools Council of Governments to provide medical/surgical, dental, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The Stark County Schools Council of Governments is a shared risk pool composed of 86 members. The school districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

Premium contributions are determined annually based on the claims experience of the individual school district. Premiums can be increased or decreased by up to 20 percent of the prior year's contribution. Member school districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating Districts' claims would be paid without regard to their individual account balances. The Stark County Schools Council of Governments' Board of Directors has authority to return monies to an existing school district subsequent to the settlement of all claims and expenses.

Note 16 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, the School District contracted with Hylant Administrative Services, LLC through the Ohio School Plan as follows:

Type of Coverage	Coverage Amount
Property	$92,893,406
Business Interruption	250,000
Flood and Earthquake	2,000,000
Extra Expenses	1,000,000
Employee Theft	100,000
Forgery	100,000
Computer Fraud	100,000
Funds Transfer Fraud	100,000
Theft or Monies	50,000
Social Engineering Fraud	25,000
General Liability	6,000,000
Employers Liability	6,000,000
Fiduciary Liability	6,000,000
Educational Legal Liability	6,000,000
Fleet	6,000,000
Violence Coverage	1,000,000
Pollution Coverage	1,000,000

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

Workers' Compensation

During fiscal year 2018, the School District was a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio School Boards Association as a result of the Workers' Compensation group rating plan as defined in Section 4123.29 of the Ohio Revised Code. The group rating program allows school districts to group together to potentially achieve a lower premium rate than they might otherwise be able to acquire as individual employers.

Note 17 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

The Cloverleaf Local School District is not party to legal proceedings.

Note 18 – Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEOnet is a jointly governed organization among twenty-seven school districts and the Summit County Educational Service Center. The Summit County Educational Service Center acts as the fiscal agent for the consortium. 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 school districts. The Board of Directors consists of member district superintendents and treasurers. The manager/director is a permanent, non-voting member of the board of directors. Each school district's control is limited to its representation on the board. The Board of Directors exercise total control over the operations of the association including budgeting, appropriating, contracting and designating management. All association revenues are generated from charges for services and State funding. The School District does not retain an ongoing financial interest or an ongoing financial responsibility in NEOnet. Payments to NEOnet are made from the general fund. In fiscal year 2018, the School District paid $116,151 to NEOnet. Financial information can be obtained by writing to the Summit County Educational Service Center, 700 Graham Road, Cuyahoga Falls, Ohio 44221.

Medina County Career Center

The Medina County Career Center (Center) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating School District's elected board, which possesses its own budgeting and taxing authority. The Center's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Accordingly, the Center is not part of the School District and its operations are not included as part of the reporting entity. The Center offers vocational education for several school districts including Cloverleaf Local School District. During fiscal year 2018, $296,339 was paid for services by the School District to the Center. Financial information can be obtained by contacting the Treasurer, Aaron Butts, at the Medina County Career Center, 1101 West Liberty Street, Medina, Ohio 44256.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 241 members. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2018, the School District paid $4,153 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

Note 19 – Public Entity Risk Pools

Stark County Schools Council of Governments

The Stark County Schools Council of Governments (Council) is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool comprise of 137 entities, most of which are school districts.

Ohio School Boards Association Workers' Compensation Group Rating Program

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

Note 20 – Set-Asides

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

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

	Capital Improvement
Set-aside Balances as of June 30, 2017	$0
Current Year Set-aside Requirement	427,513
Offsets	(865,983)
Totals	($438,470)
Set-aside Balance Carried Forward to Future Fiscal Years	$0
Set-aside Balance as of June 30, 2018	$0

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

Note 21 – Interfund Balances

As of June 30, 2018, the general fund had a $960,806 interfund receivable and the following funds had the corresponding interfund payables:

	Interfund Receivable
Interfund Payable	General
Special Revenue Funds:	
Title VI-B	$67,800
Title I	41,419
Preschool Grant	1,209
Reducing Class Size	8,702
Miscellaneous Federal Grants	4,450
Total Special Revenue Funds	123,580
Capital Projects Funds:	
Permanent Improvement	837,226
Total	$960,806

The interfund payables in the special revenue funds and permanent improvement capital projects fund are due to the timing of the receipt of grant monies received and to pay off debt, respectively. All balances are expected to be paid next fiscal year.

Note 22 – Encumbrances

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

General	$225,306
Permanent Improvement	31,715
Other Governmental Funds	17,925
Total	$274,946

Note 23 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liabilities* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 24 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contribution to SERS was $600,871 for fiscal year 2018. Of this amount $40,460 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

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

The School District's contractually required contribution to STRS was $1,667,709 for fiscal year 2018. Of this amount $274,513 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.13099830%	0.10282657%	
Proportion of the Net Pension Liability Current Measurement Date	0.13029680%	0.10300980%	
Change in Proportionate Share	-0.00070150%	0.00018323%	
Proportionate Share of the Net Pension Liability	$7,784,946	$24,470,198	$32,255,144
Pension Expense	($218,749)	($9,459,977)	($9,678,726)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$335,037	$944,924	$1,279,961
Changes of Assumptions	402,565	5,351,901	5,754,466
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	145,962	44,787	190,749
School District Contributions Subsequent to the Measurement Date	600,871	1,667,709	2,268,580
Total Deferred Outflows of Resources	$1,484,435	$8,009,321	$9,493,756
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$0	$197,220	$197,220
Net Difference between Projected and Actual Earnings on Pension Plan Investments	36,953	807,545	844,498
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	44,226	148,350	192,576
Total Deferred Inflows of Resources	$81,179	$1,153,115	$1,234,294

$2,268,580 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$373,680	$1,064,105	$1,437,785
2020	505,294	2,162,642	2,667,936
2021	104,895	1,524,096	1,628,991
2022	(181,484)	437,654	256,170
Total	$802,385	$5,188,497	$5,990,882

Actuarial Assumptions – SERS

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	$10,803,482	$7,784,946	$5,256,306

Actuarial Assumptions – STRS

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	$35,077,197	$24,470,198	$15,535,393

Note 24 – Defined Benefit OPEB Plans

See Note 23 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $74,900.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $97,155 for fiscal year 2018. Of this amount $76,399 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.13269730%	0.10282657%	
Proportion of the Net OPEB Liability Current Measurement Date	0.13198140%	0.10300980%	
Change in Proportionate Share	-0.00071590%	0.00018323%	
Proportionate Share of the Net OPEB Liability	$3,542,034	$4,019,063	$7,561,097
OPEB Expense	$201,945	($1,225,001)	($1,023,056)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$0	$232,005	$232,005
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	0	8,399	8,399
School District Contributions Subsequent to the Measurement Date	97,155	0	97,155
Total Deferred Outflows of Resources	$97,155	$240,404	$337,559
Deferred Inflows of Resources			
Changes of Assumptions	$336,121	$323,748	$659,869
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	9,354	171,784	181,138
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	25,976	0	25,976
Total Deferred Inflows of Resources	$371,451	$495,532	$866,983

$97,155 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($133,533)	($56,836)	($190,369)
2020	(133,533)	(56,836)	(190,369)
2021	(102,045)	(56,836)	(158,881)
2022	(2,340)	(56,837)	(59,177)
2023	0	(13,891)	(13,891)
Thereafter	0	(13,892)	(13,892)
Total	($371,451)	($255,128)	($626,579)

Actuarial Assumptions – SERS

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

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

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

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

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 23.

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	$4,277,457	$3,542,034	$2,959,391

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's Proportionate Share of the Net OPEB Liability	$2,874,095	$3,542,034	$4,426,062

Actuarial Assumptions – STRS

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

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

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 23.

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	$5,395,527	$4,019,063	$2,931,206

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$2,792,272	$4,019,063	$5,633,662

Required Supplementary Information

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.13029680%	0.13099830%	0.12603560%	0.12526200%	0.12526200%
School District's Proportionate Share of the Net Pension Liability	$7,784,946	$9,587,867	$7,191,714	$6,339,439	$7,448,930
School District's Covered Payroll	$4,230,441	$3,978,730	$3,802,210	$3,660,519	$3,630,007
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	184.02%	240.98%	189.15%	173.18%	205.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information

Cloverleaf Local School District

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.13198140%	0.13269730%
School District's Proportionate Share of the Net OPEB Liability	$3,542,034	$3,782,364
School District's Covered Payroll	$4,230,441	$3,978,730
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.73%	95.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information

Cloverleaf Local School District

Required Supplementary Information

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

State Teachers Retirement System of Ohio

*Last Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.10300980%	0.10282657%	0.10370300%	0.10366087%	0.10366087%
School District's Proportionate Share of the Net Pension Liability	$24,470,198	$34,419,152	$28,660,476	$25,213,911	$30,034,646
School District's Covered Payroll	$11,576,511	$11,506,500	$10,852,907	$12,028,185	$11,350,554
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	211.38%	299.13%	264.08%	209.62%	264.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information

Cloverleaf Local School District

Required Supplementary Information

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

State Teachers Retirement System of Ohio

*Last Two Fiscal Years (1) **

	2018	2017
School District's Proportion of the Net OPEB Liability	0.10300980%	0.10282657%
School District's Proportionate Share of the Net OPEB Liability	$4,019,063	$5,499,192
School District's Covered Payroll	$11,576,511	$11,506,500
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	34.72%	47.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

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

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015
Net Pension Liability:				
Contractually Required Contribution	$600,871	$592,262	$557,022	$501,132
Contributions in Relation to the Contractually Required Contribution	(600,871)	(592,262)	(557,022)	(501,132)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$4,450,896	$4,230,441	$3,978,730	$3,802,210
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability:				
Contractually Required Contribution (2)	$97,155	$70,824	$66,909	$97,232
Contributions in Relation to the Contractually Required Contribution	(97,155)	(70,824)	(66,909)	(97,232)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	2.18%	1.67%	1.68%	2.56%
Total Contributions as a Percentage of Covered Payroll (2)	15.68%	15.67%	15.68%	15.74%

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

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$507,348	$502,393	$553,022	$501,727	$689,125	$442,971
(507,348)	(502,393)	(553,022)	(501,727)	(689,125)	(442,971)
$0	$0	$0	$0	$0	$0
$3,660,519	$3,630,007	$4,111,688	$3,991,464	$5,089,549	$4,501,738
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
$67,895	$65,954	$85,164	$123,615	$108,254	$262,315
(67,895)	(65,954)	(85,164)	(123,615)	(108,254)	(262,315)
$0	$0	$0	$0	$0	$0
1.85%	1.82%	2.07%	3.10%	2.13%	5.83%
15.71%	15.66%	15.52%	15.67%	15.67%	15.67%

Cloverleaf Local School District

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

	2018	2017	2016	2015
Net Pension Liability:				
Contractually Required Contribution	$1,667,709	$1,620,712	$1,610,910	$1,519,407
Contributions in Relation to the Contractually Required Contribution	(1,667,709)	(1,620,712)	(1,610,910)	(1,519,407)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$11,912,207	$11,576,511	$11,506,500	$10,852,907
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability:				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

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

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$1,563,664	$1,475,572	$1,626,132	$1,666,451	$1,559,741	$1,736,432
(1,563,664)	(1,475,572)	(1,626,132)	(1,666,451)	(1,559,741)	(1,736,432)
$0	$0	$0	$0	$0	$0
$12,028,185	$11,350,554	$12,508,708	$12,818,854	$11,998,008	$13,357,169
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$120,282	$113,506	$125,087	$128,189	$119,980	$133,572
(120,282)	(113,506)	(125,087)	(128,189)	(119,980)	(133,572)
$0	$0	$0	$0	$0	$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions – SERS

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

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

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

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

Changes in Assumptions – STRS

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

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

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

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

Net OPEB Liability

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

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

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CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY

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

Federal Grantor/ *__Pass Through Grantor /__* Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through the Ohio Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	$393,638	$461,438
		88,733	48,280
Total Special Education -Grants to States		482,371	509,718
Special Education - Preschool Grants	84.173	7,666	8,874
		2,522	1,682
Total Special Education - Preschool Grants		10,188	10,556
Total Special Education Cluster		492,559	520,274
Title I Grants to Local Educational Agencies	84.010	189,464	230,883
		76,262	58,588
Total Title I Grants to Local Educational Agencies		265,726	289,471
Supporting Effective Instruction State Grants (formely Improving Teacher Quality State Grants)	84.367	56,468	65,170
		27,156	26,232
Total Supporting Effective Instruction State Grants		83,624	91,402
Student Support and Academic Enrichment Program	84.424	5,259	9,709
Total U.S. Department of Education		**847,168**	**910,856**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Ohio Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	133,166	133,166
National School Lunch Program	10.555	391,838	391,838
		5,878	5,878
Non-Cash Assistance		68,595	68,595
Total National School Lunch Program		466,311	466,311
Total Child Nutrition Cluster		599,477	599,477
Team Nutrition Grants	10.574	4,875	4,875
		3,266	2,766
Total Team Nutrition Grants		8,141	7,641
Farm to School Grant Program	10.575		910
Total U.S. Department of Agriculture		**607,618**	**608,028**
Totals		**$1,454,786**	**$1,518,884**

The accompanying notes are an integral part of this schedule.

CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY

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

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of Cloverleaf Local School District, Lodi, Ohio (the District) under programs of the federal government for the year ended June 20, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

Cloverleaf Local School District
Medina County
8525 Friendsville Road
Lodi, Ohio 44254

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cloverleaf Local School District, Medina County, Ohio (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2019 wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and restated the net position of its governmental activities due the understatement of deferred charges on refunding and the certificates of participation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

March 20, 2019

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

Cloverleaf Local School District
Medina County
8525 Friendsville Road
Lodi, Ohio 44254

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

March 20, 2019

CLOVERLEAF LOCAL SCHOOL DISTRICT
MEDINA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR §200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	• Title I Grants to Local Educational Agencies, CFDA 84.010; • Special Education Cluster, CFDA 84.027 and 84.173.
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Cloverleaf Local Schools

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Daryl Kubilus, Jr.
Superintendent

Robert E. Hevener
Director of Curriculum and Instruction

Jim Hudson
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
June 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Finding for Recovery – repaid under audit. The District incorrectly calculated the accumulated sick leave balance for an employee's severance payment, resulting in an overpayment.	Corrective Action Taken and Finding is Fully Corrected	

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OHIO AUDITOR OF STATE
KEITH FABER

CLOVERLEAF LOCAL SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2019