BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund	24
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	25
Notes to the Basic Financial Statements	27
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability	65
Schedule of School District Contributions	66
Federal Awards Receipts and Expenditures Schedule	69
Notes to the Federal Awards Receipts and Expenditures Schedule	70
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*	71
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Programs and on Internal Control Over Compliance Required by the Uniform Guidance	73
Schedule of Findings	75
Prepared by Management	
Corrective Action Plan	77

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INDEPENDENT AUDITOR'S REPORT

Brunswick City School District
Medina County
3643 Center Road
Brunswick, Ohio 44212

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio (the District), as of and for the year ended June 30, 2017, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio, as of June 30, 2017, 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.

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 liabilities and pension 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 12, 2018, 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.

Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2018

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The discussion and analysis of the Brunswick City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position increased $3.9 million, which represents a 5 percent increase from 2016.
- Capital assets decreased $0.9 million during fiscal year 2017.
- During the fiscal year, outstanding debt decreased from $30.9 million to $29.0 million due to principal payments made by the School District.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all nonfiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting has taken into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Fund

Fund Financial Statements

The Fund financial statements begin on page 20. 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 fund is the general fund.

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

Reporting the School District's Fiduciary Responsibilities

The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in three agency funds. The School District's fiduciary activities are reported in a separate *Statement of Fiduciary Assets and Liabilities* on page 25. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016:

Table 1
Net Position

	Governmental Activities	
	2017	2016
Assets		
Current and Other Assets	$ 61,745,084	$ 55,392,412
Capital Assets	37,074,882	38,007,275
Total Assets	98,819,966	93,399,687
Deferred Outflows of Resources		
Deferred Charges on Refunding	382,173	428,232
Pension	21,830,584	9,927,778
Deferred Outflows of Resources	22,212,757	10,356,010
Liabilities		
Other Liabilities	9,119,229	8,751,848
Long-Term Liabilities:		
Due Within One Year	2,583,960	2,521,751
Due in More Than One Year:		
Net Pension Liability	121,483,394	101,642,857
Other Amounts	31,927,443	33,733,773
Total Liabilities	165,114,026	146,650,229
Deferred Inflows of Resources		
Property Taxes	33,803,462	32,961,022
Pension	3,960,143	9,916,244
Total Deferred Inflows of Resources	37,763,605	42,877,266
Net Position		
Net Investment in Capital Assets	8,717,310	7,969,498
Restricted	8,182,191	8,222,015
Unrestricted	(98,744,409)	(101,963,311)
Total Net Position	$ (81,844,908)	$ (85,771,798)

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the *Statement of Net Position*.

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

At year end, capital assets represented 38 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets was $8.7 million at June 30, 2017. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, $8.2 million represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of $98.7 million, which is primarily caused by GASB 68.

Total assets increased $5.4 million over fiscal year 2016. Revenues continue to outpace expenditures contributing to a $3.6 million increase in cash and intergovernmental receivables increased $0.7 million over the prior year due to an increase in State and federal grants receivable at year end. Capital assets decreased $0.9 million from depreciation and disposals exceeding current year acquisitions. Deferred outflows related to pension increased $11.9 million from fiscal year 2016.

There was an increase of $0.3 million in matured compensated absences due to an increase in retirement payouts to be paid after year end. Net pension liability increased $19.8 million and deferred inflows related to pension decreased $6.0 million from fiscal year 2016.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

Table 2
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
Program Revenues:		
Charges for Services	$ 3,322,444	$ 3,464,151
Operating Grants	6,372,291	6,045,569
Total Program Revenues	9,694,735	9,509,720
General Revenues:		
Property Taxes	39,583,472	37,006,889
Grants and Entitlements Not Restricted	34,701,780	34,484,140
Payments in Lieu of Taxes	115,000	125,288
Other	333,639	1,771,767
Total General Revenues	74,733,891	73,388,084
Total Revenues	84,428,626	82,897,804
Program Expenses		
Instruction:		
Regular	33,315,559	31,679,787
Special	7,216,388	6,654,846
Vocational	344,893	217,890
Other	2,220,965	2,534,818

(continued)

Table 2
Changes in Net Position
(Continued)

	Governmental Activities	
	2017	2016
Support Services:		
Pupils	8,041,336	7,075,047
Instructional Staff	2,724,865	2,535,004
Board of Education	628,994	470,118
Administration	4,885,617	4,637,497
Fiscal	1,671,744	1,419,275
Business	871,196	656,208
Operation and Maintenance of Plant	6,792,087	7,751,936
Pupil Transportation	5,930,075	4,741,125
Central	258,507	264,041
Operation of Non-Instructional Services:		
Food Service Operations	2,156,869	2,072,262
Community Services	505,728	509,273
Extracurricular Activities	1,681,269	1,632,183
Debt Service:		
Interest and Fiscal Charges	1,255,644	1,335,368
Total Expenses	80,501,736	76,186,678
Increase (Decrease) in Net Position	3,926,890	6,711,126
Net Position at Beginning of Year	(85,771,798)	(92,482,924)
Net Position at End of Year	$ (81,844,908)	$ (85,771,798)

Total revenues increased $1.5 million over fiscal year 2016. Property taxes showed an increase of $2.6 million, partially due to an increase in taxes available for advance at year end which offset the $1.4 million decrease in miscellaneous revenue. Miscellaneous revenue in fiscal year 2016 consisted of insurance recoveries from roof damage accounting for the decrease in the current fiscal year.

Expenses in general increased due to the increase in the net pension liability over fiscal year 2016. Operation and maintenance expenses showed a decrease of $1.0 million due to roof repair and replacement expenses incurred in fiscal year 2016 and decreases in tuition accounts for the decrease in other instruction.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2017	2016	2017	2016
Instruction:				
Regular	$ 33,315,559	$ 31,679,787	$ 31,745,666	$ 29,838,326
Special	7,216,388	6,654,846	3,772,013	3,981,023
Vocational	344,893	217,890	(15,462)	198,619
Other	2,220,965	2,534,818	2,220,965	2,534,818
Support Services:				
Pupils	8,041,336	7,075,047	7,628,897	6,059,963
Instructional Staff	2,724,865	2,535,004	2,590,244	2,239,825
Board of Education	628,994	470,118	628,994	470,118
Administration	4,885,617	4,637,497	4,784,444	4,499,266
Fiscal	1,671,744	1,419,275	1,671,744	1,419,275
Business	871,196	656,208	871,196	656,208
Operation and Maintenance of Plant	6,792,087	7,751,936	6,745,631	7,729,767
Pupil Transportation	5,930,075	4,741,125	5,520,298	4,449,617
Central	258,507	264,041	238,707	232,089
Operation of Non-Instructional Services:				
Food Service Operations	2,156,869	2,072,262	246,304	161,485
Community Services	505,728	509,273	64,000	33,792
Extracurricular Activities	1,681,269	1,632,183	1,042,908	1,042,811
Debt Service:				
Interest and Fiscal Charges	1,255,644	1,335,368	1,050,452	1,129,956
Total Expenses	$ 80,501,736	$ 76,186,678	$ 70,807,001	$ 66,676,958

The dependence upon general revenues for governmental activities is apparent. 88 percent of governmental activities are supported through taxes and other general revenues; such revenues are 89 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had an increase in fund balance of $5.1 million.

The general fund's net change in fund balance for fiscal year 2017 was an increase of $5.3 million. Revenues increased by $3.3 million from the prior year. Property and other local tax revenue increased $2.5 million over fiscal year 2016 due, in part, to an increase in property taxes available for advance at year end. Expenditures increased $1.6 million, which represents an increase of 2 percent.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue was $3.9 million lower than the final budget basis revenue of $74.3 million mainly due to taxes and intergovernmental revenues. Final budget basis revenue was $0.5 million more than original budget estimates of $73.8 million.

Final expenditure appropriations of $70.8 million were $3.6 million higher than the actual expenditures of $67.2 million with the largest difference in instructional expenditures. Original expenditure appropriations of $71.1 million were $0.3 million higher than final expenditure appropriations with no individually significant expenditure accounting for the difference.

Refund of prior year receipts was originally budgeted higher than final budget expenditures by $0.1 million and advances out were originally estimated $0.4 million lower than final budget expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had $37.1 million invested in capital assets. Table 4 shows fiscal year 2017 balances compared with 2016.

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

	Governmental Activities	
	2017	2016
Land	$ 1,580,645	$ 1,580,645
Construction in Progress	0	52,934
Land Improvements	1,505,193	1,485,098
Buildings and Improvements	30,740,616	31,060,605
Furniture and Equipment	1,926,492	2,134,935
Vehicles	1,321,936	1,693,058
Totals	$ 37,074,882	$ 38,007,275

The $0.9 million decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2017, the School District had $29.0 million in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2017	2016
General Obligation Bonds:		
Serial Bonds	$ 8,293,468	$ 8,668,625
Unamortized Bond Premiums	524,003	587,825
Capital Appreciation Bonds	267,274	554,993
Accretion on Capital Appreciation Bonds	291,722	513,070
Certificates of Participation:		
Bonds	19,655,000	20,615,000
Total	$ 29,031,467	$ 30,939,513

Current Issues

Brunswick City School District will have another year of financial stability. As the preceding information indicates, the School District heavily depends on its property taxpayers as well as the State for its revenues.

Local Revenues:

Emergency Levy I was originally passed in November 1992 for a five year period for 5.91 mills and it generates $2.02 million per year. It has been renewed four times and in March 2012 was renewed for an eight year period and it will expire in December 2020. It is currently collected at 2.2 mills. Emergency Levy II was originally passed in November 1994 for a five year period for 7.82 mills and it generates $3.2 million per year. It has been renewed four times and in May 2016 was renewed for an eight year period. It will expire in December 2024. It is currently collected at 3.4 mills. Emergency Levy III was originally passed in May 2004 for a five year period for 6.7 mills and it generates $5.78 million per year. It has been renewed twice and in May 2014 was renewed for an eight year period. It will expire in December 2022. It is currently collected at 6.1 mills. Emergency Levy IV was originally passed in May 2006 for a five year period for 4.9 mills and it generates approximately $4.67 million per year. It has been renewed once in November 2010 for a seven year period and it will expire in December 2018. It is currently collected at 4.9 mils.

State law fixes the amount of tax revenue, forcing it to remain constant except for increases in valuation due to new construction in the School District. In addition, legislation passed in recent years has had the effect of further eroding tax revenues by the decrease in assessment rate upon both the inventory component of personal property tax and public utility tangible property valuation. House Bill (HB) 66 has further eradicated personal (tangible) property tax revenue and effective 2015, Governor Kasich's 2016-2017 Budget Bill all but eliminated the Property Tax Replacement Fund and resulted in additional lost revenue.

The School District lost over $41.6 million in taxable valuation and this class of property was not subject to HB 920.

Sales Tax:

In May 2007, Medina County residents passed the first-ever Sales Tax Initiative for Permanent Improvements for school districts. The one-half of one percent (0.5%) sales tax generates approximately $13 million dollars per year for the school districts in Medina County. Based upon our School District's pro-rata share of the student population, Brunswick City Schools will receive approximately $3.4 million per year. This levy became effective October 1, 2007 and will last until 2037.

Sales tax levy proceeds may only be used for capital type expenditures. The Board of Education has made a serious commitment to use these funds to upgrade technology district-wide. This includes computer labs in the high school and middle schools, and presentation stations in the elementary buildings. The *Technology Committee* presented a five-year plan to the Board of Education that received unanimous support and approval. In order to keep a promise to voters, the Board of Education passed a resolution to suspend collection on the Permanent Improvement Levy that was renewed in November 2006 as a result of the influx of sales tax revenues.

State Revenues:

The legislature modifies the aid to school every two years in the State's Biennial Budget.

- In FY 2008 - FY 2009 the State used the Foundation Program changing from a per pupil formula amount to a computer base cost funding and categorical funding.
- In FY 2010 - FY 2011 the State introduced the Evidenced Based Model providing for an adequacy amount and aid was calculated as a sum of delineated factors.
- In FY 2012 - FY 2013 the ODE used a Temporary Formula based on a wealth-adjusted portion.
- In FY 2014 - FY 2015 the State Budget Act repealed the funding system and imposed caps on increases in State Aid. This limited the calculated growth in state aid a district could receive.
- In FY 2016 - FY 2017 the State again modified the "formula" using the Opportunity Grant moniker to distinguish it from prior years. Again the State set caps so that districts would be limited in the amount of State Aid.
- The Governor's new biennial budget (7/1/15-6/30/17) is estimated to maintain the current amount of *Basic Aid* for the School District as in the prior year and any increases are subject to a new formula cap.

State Funding:

Over nineteen years ago the *DeRolph* (school funding) Case was filed in Perry County, Ohio. The first case was heard in October 1993 and Judge Linton Lewis, Jr. ruled, in July 1994, the Ohio's school-funding system unconstitutional. Following his ruling, the 5th District Court of Appeals overturned Judge Lewis's decision after the State appealed the decision ruling that the state legislature should determine the level of funding. Following that ruling, over 82% of the state's public school districts appealed to the Ohio Supreme Court's decision.
In September 2001, the court again said that the system remains unconstitutional but ordered a fix to bring it up to Ohio's "thorough and efficient" standard.

In October 2003, the United States Supreme Court declined to hear the case as submitted by the *Ohio Coalition for Equity and Adequacy of School Funding,* and thus effectively ended the *DeRolph* litigation.

In 2004 former Governor Bob Taft formed a 35-member "blue ribbon" commission to recommend changes to the school funding system. Taft's commission had found that Ohio's state share of school funding is below the national average, overall per pupil spending is above the national average, and the overall business tax burden is somewhere in the middle of surrounding states when you include Illinois.

Ex-Governor Ted Strickland vowed to enhance the availability of funds for primary and secondary education but the legislature did not cooperate with his mandate. There was also a grassroots effort to change the funding for education but it has yet had the required signatures for placement on the ballot. Governor Strickland was in office for four years and we did not see a fix.

A majority of the educators, lawmakers and business leaders support asking the General Assembly to put a constitutional amendment on the ballot to alter a provision enacted in 1976 and added to the constitution in 1980. This provision is commonly known as House Bill (HB) 920 and it prohibits increases in real property tax revenue without a local vote. Ohio has had a provision similar to HB 920 in state law since 1925. The commission proposal would give all school districts 22 mills, from the current 20 mills, on real property in which the revenue would grow with inflation or increases in property values.

Currently the School District is at the 20-mill floor, like approximately 60% of other Ohio school districts. The two additional mills on Residential, Agricultural, and other real property could generate an almost $2.0 million per year for the School District. However, this action would be contrary to the ten-year old (March 1997) DeRolph decision by placing the burden back on the property owner.

The School District has experienced an increase in State revenue over the last few years and is anticipating limited growth based upon the most recent two-year State budget. Through the American Recovery and Reinvestment Act (ARRA) the School District received approximately $1.4 million in Federal dollars to augment the loss of State Revenue in the Foundation (Basic Aid) Program. This infusion of cash was only a two-year program and expired at the end of fiscal year 2011.

The Federal government had also implemented an *Education Jobs Initiative* that added approximately $1.1 million in additional dollars to fund the employment/rehiring of displaced instructional staff. This again was a two year program with a limited lifespan and expired at the end of fiscal year 2012.

Capital Initiatives:

The State of Ohio initially required public school districts to offer all-day kindergarten (ADK) effective August 2010. This mandate was subsequently rescinded after we initiated our expansion program. Because of the lack of classrooms at our seven elementary buildings the School District underwent a construction project to expand five of those elementary buildings. The $24 million project also included additions to one middle school and the high school stadium. This construction project was bid in several phases and was funded without an increase in taxes to the voters.

The source of revenue for the $24 million expansion was the sale of Certificates of Participation (COPs) which will be repaid through the *Medina County Sales Tax Fund*. At the close of fiscal year 2010 the School District had arranged the sale of the COPs. The School District was able to sell a combination of Qualified

School Construction Bonds (QSCBs), Build America Bonds (BABs), and the remainder Tax Exempt Debt (TEDs).

The School District was limited by the Ohio School Facilities Commission (OSFC) in the amount of QSCBs the School District could issue. We sold $4 million in QSCB, 16% of the total COPs issue at a net interest cost of less than one percent (0.94%). We sold $15.5 million in BABs, 63% of the total COPs issue at a net interest cost of 4.22%. The remainder, $5.1 million, was sold as TEDs at a net interest cost of 2.42%. The length of the entire issue is approximately 23 years and an average net debt service payment of less than $1.6 million per year. Subsequently the School District refunded 100% ($15.5 M) of the Build America Bonds; this action was prompted by the government's sequestration and reduction of the rebate from the IRS.

Phase A of the project included Applewood Elementary, Crestview Elementary, and Kidder Elementary. Phase B included Hickory Ridge Elementary, Towslee Elementary, and Visintainer Middle School. The Phase A and B of the construction project was finished prior to the start of the 2011-2012 school year. Phase C, the remainder of the project which included the Brunswick High School Athletic Complex, the stadium renovation was completed in the summer of 2011.

The School District recently (2014) refunded the Build America Bonds (BABs) with standard tax exempt debt. This enabled the School District to save additional funds through a lower interest rate. The covenants of the debt instrument permitted the refunding because the federal government failed to provide 100% of the rebate as initially guaranteed.

Summary:

The School District's current five-year forecast projects no new infusion of revenue through voted referendums. As mentioned earlier in the MD&A, the School District will have an emergency levy expiring at the end of calendar year 2018. Failure to renew this levy could have devastating effects on the operation of the School District and the elimination of instruction programs.

Challenges such as those noted above require management to carefully and prudently plan to provide the resources to meet student needs over the next five years and to manage its dependence upon local tax revenue.

In conclusion, the School District is well regarded for its budgeting practices and set of internal controls. It has committed itself to transparency and providing constituents with the best available financial information. This philosophy and focused purpose will help to meet the challenges of the future.

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 Mark Pepera, Chief Financial Officer of Brunswick City School District, 3643 Center Road, Brunswick, Ohio 44212 or mpepera@bcsoh.org.

Basic Financial Statements

Brunswick City School District
Medina County, Ohio
Statement of Net Position
June 30, 2017

		Governmental Activities
Assets		
Equity in Pooled Cash and Cash Investments	$	17,693,137
Inventory Held For Resale		31,144
Materials and Supplies Inventory		334,651
Receivables:		
Intergovernmental		4,768,871
Property Taxes		38,832,590
Prepaid Items		84,691
Nondepreciable Capital Assets		1,580,645
Depreciable Capital Assets (Net)		35,494,237
Total Assets		98,819,966
Deferred Outflows of Resources		
Deferred Charges on Debt Refunding		382,173
Pension		21,830,584
Total Deferred Outflows of Resources		22,212,757
Liabilities		
Accounts Payable		169,515
Accrued Wages and Benefits		7,208,581
Intergovernmental Payable		1,209,833
Accrued Vacation Leave Payable		167,043
Matured Compensated Absences Payable		259,698
Accrued Interest Payable		104,559
Long Term Liabilities:		
Due Within One Year		2,583,960
Due In More Than One Year:		
Net Pension Liability (See Note 10)		121,483,394
Other Amounts Due in More Than One Year		31,927,443
Total Liabilities		165,114,026
Deferred Inflows of Resources		
Property Taxes Levied for the Next Year		33,803,462
Pension		3,960,143
Total Deferred Inflows of Resources		37,763,605
Net Position		
Net Investment in Capital Assets		8,717,310
Restricted For:		
Capital Outlay		4,019,849
Debt Service		2,249,903
Other Purposes		1,912,439
Unrestricted		(98,744,409)
Total Net Position	$	(81,844,908)

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$ 33,315,559	$ 1,245,399	$ 324,494	$ (31,745,666)
Special	7,216,388	251,505	3,192,870	(3,772,013)
Vocational	344,893	0	360,355	15,462
Other	2,220,965	0	0	(2,220,965)
Support Services:				
Pupils	8,041,336	0	412,439	(7,628,897)
Instructional Staff	2,724,865	0	134,621	(2,590,244)
Board of Education	628,994	0	0	(628,994)
Administration	4,885,617	0	101,173	(4,784,444)
Fiscal	1,671,744	0	0	(1,671,744)
Business	871,196	0	0	(871,196)
Operation and Maintenance of Plant	6,792,087	27,832	18,624	(6,745,631)
Pupil Transportation	5,930,075	69,214	340,563	(5,520,298)
Central	258,507	0	19,800	(238,707)
Operation of Non-Instructional Services:				
Food Service Operations	2,156,869	1,115,712	794,853	(246,304)
Community Services	505,728	0	441,728	(64,000)
Extracurricular Activities	1,681,269	612,782	25,579	(1,042,908)
Debt Service:				
Interest and Fiscal Charges	1,255,644	0	205,192	(1,050,452)
Total	$ 80,501,736	$ 3,322,444	$ 6,372,291	(70,807,001)

General Revenues	
Property Taxes Levied for:	
General Purposes	36,893,055
Debt Service	1,494,844
Capital Outlay	1,195,573
Grants and Entitlements Not Restricted to Specific Programs	34,701,780
Payments in Lieu of Taxes	115,000
Investment Earnings	114,387
Miscellaneous	219,252
Total General Revenues	74,733,891
Change in Net Position	3,926,890
Net Position Beginning of Year	(85,771,798)
Net Position End of Year	$ (81,844,908)

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	$ 12,348,328	$ 5,344,809	$ 17,693,137
Inventory Held For Resale	0	31,144	31,144
Materials and Supplies Inventory	334,651	0	334,651
Receivables:			
Interfund	562,659	0	562,659
Intergovernmental	208,303	4,560,568	4,768,871
Property Taxes	36,133,300	2,699,290	38,832,590
Prepaid Items	84,266	425	84,691
Total Assets	$ 49,671,507	$ 12,636,236	$ 62,307,743
Liabilities			
Accounts Payable	$ 87,954	$ 81,561	$ 169,515
Accrued Wages and Benefits	6,886,270	322,311	7,208,581
Intergovernmental Payable	1,103,632	106,201	1,209,833
Matured Compensated Absences Payable	259,698	0	259,698
Interfund Payable	0	562,659	562,659
Total Liabilities	8,337,554	1,072,732	9,410,286
Deferred Inflows of Resources			
Property Taxes Levied for the Next Fiscal Year	31,455,294	2,348,168	33,803,462
Unavailable Revenue - Delinquent Property Taxes	294,466	22,412	316,878
Unavailable Revenue - Other	0	3,404,711	3,404,711
Total Deferred Inflows of Resources	31,749,760	5,775,291	37,525,051
Fund Balances			
Nonspendable	468,412	425	468,837
Restricted	0	4,979,494	4,979,494
Committed	0	1,243,918	1,243,918
Assigned	1,206,716	0	1,206,716
Unassigned (Deficit)	7,909,065	(435,624)	7,473,441
Total Fund Balances	9,584,193	5,788,213	15,372,406
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 49,671,507	$ 12,636,236	$ 62,307,743

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances		$ 15,372,406
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.		37,074,882
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	$ 316,878	
Local Grant from Sales Tax Levy	1,760,370	
Intergovernmental	1,644,341	3,721,589
In the statement of net position, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(104,559)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		382,173
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	21,830,584	
Deferred Inflows - Pension	(3,960,143)	
Net Pension Liability	(121,483,394)	(103,612,953)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	8,293,468	
Capital Appreciation Bonds	267,274	
Bond Premium	524,003	
Accretion of Interest - Capital Appreciation Bonds	291,722	
Certificates of Participation	19,655,000	
Vacation Benefits	167,043	
Compensated Absences	5,479,936	(34,678,446)
Net Position of Governmental Activities		$ (81,844,908)

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	$ 36,976,809	$ 2,693,971	$ 39,670,780
Intergovernmental	33,480,863	7,426,929	40,907,792
Investment Income	114,387	14,145	128,532
Tuition and Fees	787,310	0	787,310
Extracurricular Activities	897,042	450,808	1,347,850
Rentals	44,590	30,087	74,677
Charges for Services	0	1,115,762	1,115,762
Contributions and Donations	8,093	18,152	26,245
Payment in Lieu of Taxes	115,000	0	115,000
Miscellaneous	210,867	8,385	219,252
Total Revenues	72,634,961	11,758,239	84,393,200
Expenditures			
Current:			
Instruction:			
Regular	30,516,784	1,220,692	31,737,476
Special	5,656,006	1,163,935	6,819,941
Vocational	179,933	190,406	370,339
Other	2,220,965	0	2,220,965
Support Services:			
Pupils	7,380,582	476,969	7,857,551
Instructional Staff	2,531,292	123,113	2,654,405
Board of Education	628,994	0	628,994
Administration	4,481,988	117,589	4,599,577
Fiscal	1,492,399	92,725	1,585,124
Business	554,094	315,936	870,030
Operation and Maintenance of Plant	5,632,967	1,278,924	6,911,891
Pupil Transportation	4,514,430	931,211	5,445,641
Central	242,838	0	242,838
Extracurricular Activities	1,201,290	429,538	1,630,828
Operation of Non-Instructional Services:			
Food Service Operations	7,192	2,037,686	2,044,878
Community Services	1,575	478,132	479,707
Capital Outlay	5,048	50,950	55,998
Debt Service:			
Principal Retirement	0	1,622,876	1,622,876
Interest and Fiscal Charges	0	1,500,383	1,500,383
Total Expenditures	67,248,377	12,031,065	79,279,442
Excess of Revenues Over (Under) Expenditures	5,386,584	(272,826)	5,113,758
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	2,200	2,755	4,955
Transfers In	0	77,128	77,128
Transfers Out	(77,128)	0	(77,128)
Total Other Financing Sources (Uses)	(74,928)	79,883	4,955
Net Change in Fund Balance	5,311,656	(192,943)	5,118,713
Fund Balances Beginning of Year	4,272,537	5,981,156	10,253,693
Fund Balances End of Year	$ 9,584,193	$ 5,788,213	$ 15,372,406

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds		$ 5,118,713
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	$ 491,458	
Current Year Depreciation	(1,423,851)	(932,393)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(87,305)	
Sales Taxes	79,757	
Intergovernmental	42,974	35,426
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	375,157	
Capital Appreciation Bonds	287,719	
Accreted Interest on Capital Appreciation Bonds	287,281	
Certificates of Participation	960,000	1,910,157
In the statement of activities, interest is accrued on outstanding bonds, bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	5,628	
Amortization of Premium on Bonds	63,822	
Amortization of Refunding Loss	(46,059)	23,391
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		5,924,652
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		(7,906,282)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(163,925)	
Accrued Vacation Payable	(16,916)	(180,841)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		(65,933)
Change in Net Position of Governmental Activities		$ 3,926,890

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Property and Other Local Taxes	$ 37,139,317	$ 37,372,517	$ 35,827,509	$ (1,545,008)
Intergovernmental	35,314,946	35,532,273	33,388,721	(2,143,552)
Investment Income	45,955	46,519	86,726	40,207
Tuition and Fees	952,358	957,416	777,117	(180,299)
Extracurricular Activities	151,479	152,548	164,269	11,721
Rentals	20,911	21,092	27,832	6,740
Payment in Lieu of Taxes	115,000	115,000	115,000	0
Miscellaneous	64,734	65,610	19,492	(46,118)
Total Revenues	73,804,700	74,262,975	70,406,666	(3,856,309)
Expenditures				
Current:				
Instruction:				
Regular	31,085,291	30,939,386	30,068,891	870,495
Special	6,954,558	6,498,871	5,651,657	847,214
Vocational	259,683	258,930	170,037	88,893
Other	2,886,548	2,617,589	2,325,838	291,751
Support Services:				
Pupils	6,743,479	6,938,639	7,310,072	(371,433)
Instructional Staff	2,480,125	2,462,434	2,501,588	(39,154)
Board of Education	640,172	800,130	728,213	71,917
Administration	4,888,118	4,880,354	4,491,104	389,250
Fiscal	1,553,686	1,500,097	1,496,162	3,935
Business	546,005	537,021	521,385	15,636
Operation and Maintenance of Plant	6,181,476	6,284,601	5,807,141	477,460
Pupil Transportation	5,187,306	5,305,246	4,640,080	665,166
Central	347,081	360,518	244,942	115,576
Extracurricular Activities	1,297,282	1,338,381	1,209,647	128,734
Operation of Non-Instructional Services:				
Food Service Operations	12,997	11,135	9,861	1,274
Community Services	29,870	29,870	51	29,819
Capital Outlay	5,048	5,048	5,048	0
Total Expenditures	71,098,725	70,768,250	67,181,717	3,586,533
Excess of Revenues Over (Under) Expenditures	2,705,975	3,494,725	3,224,949	(269,776)
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	10,200	10,200	2,200	(8,000)
Refund of Prior Year Expenditures	25,000	25,000	27,909	2,909
Refund of Prior Year Receipts	(100,000)	(5,000)	0	5,000
Advances In	100,000	100,000	35,059	(64,941)
Advances Out	(200,000)	(555,761)	(546,739)	9,022
Transfers Out	0	(77,128)	(77,128)	0
Total Other Financing Sources (Uses)	(164,800)	(502,689)	(558,699)	(56,010)
Net Change in Fund Balance	2,541,175	2,992,036	2,666,250	(325,786)
Fund Balance Beginning of Year	6,971,289	6,971,289	6,971,289	0
Prior Year Encumbrances Appropriated	860,232	860,232	860,232	0
Fund Balance End of Year	$ 10,372,696	$ 10,823,557	$ 10,497,771	$ (325,786)

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2017

	Agency
Assets	
Equity in Pooled Cash and Investments	$ 239,980
Total Assets	$ 239,980
Liabilities	
Undistributed Monies	$ 23,044
Due to Students	216,936
Total Liabilities	$ 239,980

See accompanying notes to the basic financial statements.

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Note 1 – Description of the School District and Reporting Entity

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

The School District is located in Medina County and encompasses the entire City of Brunswick. The Board of Education controls the School District's 11 instructional/support facilities.

Reporting Entity

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

> *Non-public Schools* – Within the School District boundaries, St. Ambrose and St. Marks are operated as non-public schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the School District, as directed by the schools. This activity is reflected in a special revenue fund for financial reporting purposes.

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. The School District has no component units.

The School District participates in three jointly governed organizations and two public entity risk pools. These organizations are the Medina County Career Center, the Ohio Schools Council Association, the Northeast Ohio Network for Educational Technology (NEOnet), the Ohio School Boards Association Workers' Compensation Group Rating Program and the Suburban Health Consortium. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements - The *Statement of Net Position* and the *Statement of Activities* display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

Fund Accounting

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

> ***General Fund*** **-** The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

Fiduciary Fund Type - 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 has no trust funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities, employee medical savings accounts and Ohio High School Athletics Association (OHSAA) tournaments.

Measurement Focus

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

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

Basis of Accounting

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows 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. 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 are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide *Statement of Net Position* and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide *Statement of Net Position*. (See Note 10).

Expenses/Expenditures **-** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Budgetary 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate appropriations to the function and object level within each fund. The budgetary statement is presented beyond that legal level of control for information purposes only.

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

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

Cash and Investments

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

During fiscal year 2017, investments were limited to a money market, government agency securities, certificates of deposit, commercial paper and STAR Ohio.

Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to $114,387, which includes $31,237 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 District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

Inventory

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

Inventories consist of donated food, purchased food, school supplies held for resale, and materials and supplies held for consumption.

Capital Assets

All capital assets of the School District are classified as general capital assets. They 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.

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 assets by back-trending (i.e. estimating the current replacement cost of the asset 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 $5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	10 - 30 Years
Buildings and Improvements	75 Years
Furniture and Equipment	6 - 12 Years
Vehicles	3 -10 Years

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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for 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.

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

Pensions

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

Bond Premiums

Bond premiums are recorded as other financing sources on the governmental fund statements. The bond premiums are deferred and amortized over the term of the bond using the straight-line method on the government-wide statements since the results are not significantly different from the effective-interest or bonds outstanding methods. Bond premiums are presented as an increase of the face amount of the bonds payable.

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, claims and judgments and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, notes and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

Interfund Activity

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

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2017, there was no net position restricted by enabling legislation.

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

Fund Balance

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

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

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

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

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

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

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

Estimates

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

Implementation of New Accounting Policies

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.*

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 3 – Fund Balance

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

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

	General	Other Governmental Funds	Total
Nonspendable for:			
Inventory	$ 334,651	$ 0	$ 334,651
Prepaids	84,266	425	84,691
Unclaimed Monies	49,495	0	49,495
Total Nonspendable	468,412	425	468,837
Restricted for:			
Debt Service	0	2,341,880	2,341,880
Capital Projects	0	2,230,844	2,230,844
Other Purposes	0	406,770	406,770
Total Restricted	0	4,979,494	4,979,494
Committed for:			
Permanent Improvement	0	1,243,918	1,243,918
Assigned for:			
Encumbrances:			
Instruction	465,801	0	465,801
Support Services	540,369	0	540,369
Subsequent Year Appropriations	200,546	0	200,546
Total Assigned	1,206,716	0	1,206,716
Unassigned	7,909,065	(435,624)	7,473,441
Total Fund Balance	$ 9,584,193	$ 5,788,213	$ 15,372,406

* Fund balances at June 30, 2017 included the following individual fund deficits:

	Deficit
Non-Major Governmental Funds:	
Food Service	$ 246,233
Other Grants	18,645
Alternate School	11,214
Title VI-B	144,939
Title I	3,580
Preschool Grant	2,907
Improving Teacher Quality	8,106

Deficits in these non-major special revenue funds are due to adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

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

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

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

GAAP Basis	$ 5,311,656
Net Adjustment for Revenue Accruals	(1,387,225)
Net Adjustment for Expenditure Accruals	(339,285)
Funds Budgeted Elsewhere **	(58,663)
Adjustment for Encumbrances	(860,233)
Budget Basis	$ 2,666,250

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

Note 5 - 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 withdraw on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer, by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;

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

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

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

7. Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 40 percent of the interim monies available for investment at any one time; and

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

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

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 5 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.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2017, the School District and public depositories complied with the provisions of these statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

Cash on Hand At year end, the School District had $5,084 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and investments.

Deposits At fiscal year-end, the carrying amount of the School District's deposits was $2,929,532 and the bank balance was $3,246,833. Of the bank balance:

1. $260,981 of the bank balance was covered by depository insurance; and

2. $2,985,852 was exposed custodial credit risk as described previously. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State Statute.

Investments As of June 30, 2017, the School District had the following investments:

			Maturity			
Rating	Investment Type	Measurement Amount	0 - 12 Months	13 - 36 Months	Over 36 Months	Percent of Total
AAAm	STAR Ohio	$ 1,798,386	$ 1,798,386	$ 0	$ 0	12.01%
N/A	First American Treasury Money Market	6,609	6,609	0	0	0.04%
	U.S. Government Agency Notes:					
AA+	Federal Home Loan Mortgage	184,176	0	184,176	0	1.23%
AA+	Federal National Mortgage Association	889,237	269,374	553,683	66,180	5.93%
AA+	Federal Home Loan Bank	538,956	0	167,922	371,034	3.59%
A-1+	Federal Home Loan Bank Discount Note	168,576	168,576	0	0	1.12%
**	Negotiable Certificates of Deposit	1,231,761	0	740,106	491,655	8.21%
	Commercial Paper:					
A-1	JP Morgan	1,070,000	1,070,000	0	0	7.13%
A-1	Bank of Montreal	1,069,850	1,069,850	0	0	7.13%
A-1	Toyota Motor Credit	829,884	829,884	0	0	5.53%
A-1+	TD USA	724,826	724,826	0	0	4.83%
A-1	Axa Financial	1,267,886	1,267,886	0	0	8.45%
A-1	BNP Paribas	1,267,529	1,267,529	0	0	8.45%
A-1+	TD USA	546,777	546,777	0	0	3.65%
A-1+	Toyota Motor Credit	442,392	442,392	0	0	2.95%
A-1+	General Electric Capital Corp Treasury	1,267,478	1,267,478	0	0	8.45%
A-1+	Coca Cola	993,870	993,870	0	0	6.63%
A-1	JP Morgan	203,713	203,713	0	0	1.36%
A-1	Bank of Tokyo - Mitsubishi	496,595	496,595	0	0	3.31%
	Total	$ 14,998,501	$ 12,423,745	$ 1,645,887	$ 928,869	100.00%

** Fully insured under FDIC

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2017. As discussed further in Note 2, STAR Ohio is reported at its share price. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. 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 an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2017, is 46 days.

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 Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Credit Risk The School District's investments at June 30, 2017 are rated by S&P Global Ratings.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage total of each investment type held by the School District as of June 30, 2017.

Note 6 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 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, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 in the general, debt service and permanent improvement funds was $4,383,540, $184,540, and $144,170, respectively. The amount available for advance at June 30, 2016, in the general, debt service and permanent improvement funds was $3,234,240, $133,410, and $104,220, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$ 1,090,011,360	98.48%	$ 1,176,534,570	98.48%
Public Utility Personal Property	16,848,890	1.52%	18,126,470	1.52%
Total Assessed Values	$ 1,106,860,250	100.00%	$ 1,194,661,040	100.00%
Tax rate per $1,000 of assessed valuation	$ 69.12		$ 69.12	

Note 7 - Receivables

Receivables at June 30, 2017 consisted of taxes, interfund and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the guarantee of federal funds. All current fiscal year receivables are expected to be collected within one year.

During 2007, the voters of Medina County passed a one-half percent sales tax to be used for capital improvements at all school districts within Medina County. Collection began in October 2007 for a period of 30 years. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. Sales tax is distributed to the school districts of Medina County based on what is essentially a per pupil distribution formula. A receivable is recognized at year end for an estimated amount to be received based on calendar year 2017 sales transactions yet to be received as of June 30, 2017.

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 07/01/2016	Additions	Reductions	Balance 06/30/2017
Governmental Activities				
Capital Assets, not being depreciated				
Land	$ 1,580,645	$ 0	$ 0	$ 1,580,645
Construction in Progress	52,934	0	(52,934)	0
Total Nondepreciable Capital Assets	1,633,579	0	(52,934)	1,580,645
Capital Assets, being depreciated				
Land Improvements	3,173,173	100,500	0	3,273,673
Buildings and Improvements	56,459,365	303,335	0	56,762,700
Furniture and Equipment	7,490,520	110,285	0	7,600,805
Vehicles	6,382,798	30,272	(479,017)	5,934,053
Total Capital Assets, being depreciated	73,505,856	544,392	(479,017)	73,571,231
Less: Accumulated Depreciation				
Land Improvements	(1,688,075)	(80,405)	0	(1,768,480)
Buildings and Improvements	(25,398,760)	(623,324)	0	(26,022,084)
Furniture and Equipment	(5,355,585)	(318,728)	0	(5,674,313)
Vehicles	(4,689,740)	(401,394)	479,017	(4,612,117)
Total Accumulated Depreciation	(37,132,160)	(1,423,851) *	479,017	(38,076,994)
Total Capital Assets being depreciated, net	36,373,696	(879,459)	0	35,494,237
Governmental Activities Capital Assets, Net	$ 38,007,275	$ (879,459)	$ (52,934)	$ 37,074,882

* Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	$	545,420
Special		117,373
Support Services:		
Pupils		49,408
Instructional Staff		60,981
Administration		67,801
Fiscal		13,372
Business		8,023
Operation and Maintenance of Plant		66,586
Pupil Transportation		431,962
Operation of Non-Instructional Services:		
Food Service Operations		61,990
Community Services		935
Total Depreciation Expense	$	1,423,851

Note 9 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Settlements have not exceeded coverage in any of the last three fiscal years and there have been no significant reductions in insurance coverage from the prior year.

For fiscal year 2017, the School District participated in the Ohio Schools Council's (OSC) property, fleet, and liability, an insurance purchasing pool. The intent of the OSC property and fleet insurance program is to provide coverage that is essential for school districts while keeping said premiums under control.

Workers' Compensation

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts are calculated as one and a common premium rate is applied to all school in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts than can meet the GRP's selection criteria. The firm of Comp Management provided administrative, cost control and actuarial services to the GRP. Hunter Consulting provided TPA services and 1-800- Comp MCO services to the School District.

Employee Health Benefits

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 16) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly premium which is placed in a common fund from which the claim payments are made for all participating districts. School District employees share the cost of the monthly premium with the Board.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an exiting school district subsequent to the settlement of all expenses and claims.

Note 10 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a 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	Age 60 with 5 years of service credit	Age 62 with 10 years of service credit; or
Benefits	Age 55 with 25 years of service credit	Age 60 with 25 years of service credit

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

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

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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District's contractually required contribution to SERS was $1,461,685 for fiscal year 2017. Of this amount, $143,331 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $4,462,967 for fiscal year 2017. Of this amount, $733,744 is reported as an intergovernmental payable.

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

The net pension liability was measured as of July 1 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 98,299,997	$ 23,183,397	$ 121,483,394
Proportion of the Net Pension Liability:			
Current Measurement Date	0.29366939%	0.31675300%	
Prior Measurement Date	0.30064004%	0.32517400%	
Change in Proportionate Share	-0.00697065%	-0.00842100%	
Pension Expense	$ 6,054,870	$ 1,851,412	$ 7,906,282

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

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 3,971,790	$ 312,690	$ 4,284,480
Net Difference between Projected and Actual Earnings on Pension Plan Investments	8,161,541	1,912,292	10,073,833
Changes of Assumptions	0	1,547,619	1,547,619
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	0	0
School District Contributions Subsequent to the Measurement Date	4,462,967	1,461,685	5,924,652
Total Deferred Outflows of Resources	$ 16,596,298	$ 5,234,286	$ 21,830,584
Deferred Inflows of Resources			
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	$ 2,968,650	$ 991,493	$ 3,960,143

$5,924,652 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2018	$ 1,056,356	$ 514,090	$ 1,570,446
2019	1,056,354	512,710	1,569,064
2020	4,188,170	1,204,603	5,392,773
2021	2,863,801	549,705	3,413,506
	$ 9,164,681	$ 2,781,108	$ 11,945,789

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, 2016, are presented below:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	$ 30,693,373	$ 23,183,397	$ 16,897,235

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	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 the fifth anniversary of the retirement date

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 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 Real Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate 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 member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	$ 130,632,708	$ 98,299,997	$ 71,025,449

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's net pension liability is expected to be significant.

Note 11 - Postemployment Benefits

School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was $23,500. 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 2017, the School District's surcharge obligation was $177,545.

For fiscal years 2017 and 2016, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was $221,496. The full amount has been contributed for fiscal year 2015.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

Note 12 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Employees earn the equivalent of three days of personal leave per year. Classified employees may accumulate up to the equivalent of ten days of personal leave. Classified employees and twelve month administrators earn ten to twenty-five days of vacation per year, depending upon length of service. Administrators and exempt secretaries are able to carryover any unused vacation time at year-end, however, support staff (those employees in the bargaining unit) are unable to carryover unused vacation time. Accumulated but unused vacation time is paid to administrators, exempt and classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for one-fourth of the first 160 days of total sick leave accumulation, 100 percent of the next twenty-five days and one-fourth of any remaining days. An employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS.

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental and prescription insurance is provided by the School District to all employees through Medical Mutual of Ohio and Express Scripts respectively.

Note 13 – Long-Term Obligations

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

	Amount Outstanding 7/1/2016	Additions	Deductions	Amount Outstanding 06/30/2017	Due Within One Year
Governmental Activities					
General Obligation Bonds					
School Improvement - 2003	$ 143,625	$ 0	$ 70,157	$ 73,468	$ 73,468
School Improvement Refunding - 2005					
Serial and Term Bonds	4,465,000	0	305,000	4,160,000	320,000
Unamortized Premium	416,173	0	40,935	375,238	0
School Improvement Refunding - 2009					
Serial Bonds	4,060,000	0	0	4,060,000	0
Capital Appreciation Bonds	554,993	0	287,719	267,274	267,274
Accretion on Capital Appreciation Bond:	513,070	65,933	287,281	291,722	291,722
Unamortized Premium	171,652	0	22,887	148,765	0
Total General Obligation Bonds	10,324,513	65,933	1,013,979	9,376,467	952,464
Certificates of Participation					
Series 2010					
Taxable Qualified School Construction Bonds - (QSCB)	4,000,000	0	0	4,000,000	0
Tax-Exempt	900,000	0	900,000	0	0
Refunding Series 2014	15,715,000	0	60,000	15,655,000	985,000
Total Certificates of Participation	20,615,000	0	960,000	19,655,000	985,000
Net Pension Liability					
STRS	83,088,113	15,211,884	0	98,299,997	0
SERS	18,554,744	4,628,653	0	23,183,397	0
Total Net Pension Liability	101,642,857	19,840,537	0	121,483,394	0
Compensated Absences	5,316,011	375,746	211,821	5,479,936	646,496
Total Governmental Activities	$137,898,381	$ 20,282,216	$ 2,185,800	$ 155,994,797	$2,583,960

General obligation bonds will be paid from property taxes in the bond retirement fund and the certificate of participation will be paid from sales taxes in the sales tax fund. Compensated absences will be paid from the general fund and the food service fund. Obligations related to employee compensation will be paid from the fund benefitting from their service.

The net bonded debt for the School District at June 30, 2017 was $7,034,587.

2003 School Improvement General Obligation Bonds

In fiscal year 2003, the School District issued $800,000 of general obligation bonds at an interest rate of 4.85 percent maturing December 1, 2017.

2005 School Improvement Advance Refunding General Obligation Bonds

On September 22, 2005, the School District issued $6,075,000 of general obligation bonds, which included serial and term bonds in the amount of $1,550,000 and $4,525,000, respectively. The bonds refunded $6,075,000 of outstanding 2000 School Improvement General Obligation Bonds. The bonds were issued for a twenty-one year period with final maturity at December 1, 2026. At the date of refunding, $6,726,930 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As a result, $6,075,000 of the 2000 School Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The defeased debt in the amount of $6,075,000 was called December 1, 2009.

These refunding bonds were issued with a premium of $859,636, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The refunding resulted in a difference between net carrying amount of the debt and the acquisition price of $651,930. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2017 was $31,044.

The School District refunded the 2000 General Obligation Bonds to reduce its total debt service payments over the next twenty-one years by $826,031.

The $6,075,000 bond issue consists of serial and term bonds. The serial bonds were issued with a varying interest rate of 4.00-5.50 percent.

The bonds maturing December 1, 2019 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date December 1	Principal Amount Subject to Mandatory Redemption
2017	$ 320,000
2018	335,000

Unless previously redeemed, the remaining principal amount of $335,000 will mature at stated maturity (December 1, 2019).

The bonds maturing December 1, 2022 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date December 1	Principal Amount Subject to Mandatory Redemption
2020	$ 380,000
2021	400,000

Unless previously redeemed, the remaining principal amount of $425,000 will mature at stated maturity (December 1, 2022).

The bonds maturing December 1, 2026 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date December 1	Principal Amount Subject to Mandatory Redemption
2023	$ 445,000
2024	475,000
2025	500,000

Unless previously redeemed, the remaining principal amount of $525,000 will mature at stated maturity (December 1, 2026).

The bonds are not subject to optional redemption prior to maturity.

2009 School Improvement Advance Refunding General Obligation Bonds

On April 20, 2009, the School District issued $6,534,993 of general obligation bonds, which included serial, term and capital appreciation bonds in the amount of $5,765,000, $215,000 and $554,993, respectively. The bonds refunded $6,535,000 of outstanding 1999 School Improvement General Obligation Bonds. The bonds were issued for a fifteen year period with final maturity at December 1, 2023. At the date of refunding, $6,534,993 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As a result, $6,535,000 of the 1999 School Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The balance of the defeased debt at June 30, 2017 was $4,670,000.

These refunding bonds were issued with a premium of $343,305, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The issuance costs of $118,068 were expensed. The refunding resulted in a difference between net carrying amount of the debt and the acquisition price of $225,230. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2017 was $15,015.

The School District refunded the 1999 General Obligation Bonds to reduce its total debt service payments over the next twenty-one years by $420,299.

One of the capital appreciation bonds matured December 1, 2016 and the other will December 1, 2017. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal liability. The maturity amount of the remaining bond is $585,000.

The serial and capital appreciation bonds are not subject to early redemption.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Capital Appreciation Bonds Principal	Capital Appreciation Bonds Accretion	Total Principal	Total Interest/ Accretion
2018	$ 393,468	$ 390,220	$ 267,274	$ 317,726	$ 660,742	$ 707,946
2019	925,000	353,110	0	0	925,000	353,110
2020	980,000	309,490	0	0	980,000	309,490
2021	1,040,000	263,400	0	0	1,040,000	263,400
2022	1,100,000	214,750	0	0	1,100,000	214,750
2023 - 2027	3,855,000	399,401	0	0	3,855,000	399,401
Total	$ 8,293,468	$ 1,930,371	$ 267,274	$ 317,726	$ 8,560,742	$ 2,248,097

2010 Certificates of Participation

On June 17, 2010 the School District issued $24,570,000 of certificates of participation, series 2010 bonds. They consisted of $4,000,000 in taxable qualified school construction series 2010A (QSCB) term bonds. The bonds were issued for a sixteen year period with final maturity at December 1, 2026. Also included in the issue was $15,460,000 of taxable build America bonds (BABS) series 2010B which is made up of $2,880,000 serial bonds and term bonds in the amount of $12,580,000. The series 2010B bonds were refunded on July 31, 2014. The final issue was tax exempt series 2010C serial bonds in the amount of $5,110,000 with a varying interest rate of 2.00-3.00 percent. The maturity dates for the tax exempt bonds is December 1, 2011 through 2016. The proceeds were used to acquire, construct, purchase equipment, install and renovate recreational, school and transportation facilities. The series 2010B was refunded in 2014.

The tax exempt series 2010C bonds were issued with a premium of $19,938, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The issuance costs of $586,116 were expensed.

The series 2010A bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date December 1	Principal Amount Subject to Mandatory Redemption
2023	$ 400,000
2024	1,190,000
2025	1,200,000

Unless previously redeemed, the remaining principal amount of $1,210,000 will mature at stated maturity (December 1, 2026).

2014 Current Refunding Certificates of Participation

On July 30, 2014, the School District issued $15,895,000 in refunded certificates of participation, series 2014 bonds. The proceeds were used to refund $15,460,000 of the School District's outstanding build America bonds (BABS) series 2010B. The bonds were issued for a 20 year period with final maturity at December 1, 2033.

These refunding bonds were issued with a premium of $133,382, which has been offset against expenses related to issuance costs. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of $1,274,219. The issuance resulted in an economic gain of $923,894.

Principal and interest requirements to retire the certificates of participation outstanding at June 30, 2017 are as follows:

Fiscal Year Ending	**Certificate of Participation**	
June 30,	**Principal**	**Interest**
2018	$ 985,000	$ 776,206
2019	1,015,000	746,206
2020	1,045,000	715,306
2021	1,075,000	683,506
2022	1,105,000	650,806
2023 - 2027	5,960,000	2,450,622
2028 - 2032	6,620,000	974,027
2033 - 2034	1,850,000	50,569
Total	$ 19,655,000	$ 7,047,248

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Note 14 – Interfund Activity

Interfund Balances

Interfund balances at June 30, 2017, consist of the following:

	Interfund Receivable	Interfund Payable
General Fund	$ 562,569	$ 0
Nonmajor Governmental Funds:		
Food Service Fund	0	136,180
Auxiliary Services Fund	0	40,919
Alternate School Grants	0	6,039
Miscellaneous State Grants Fund	0	835
Title VI-B	0	284,204
Title III Fund	0	7,498
Title I	0	77,644
Preschool Grants	0	1,093
Improving Teacher Quality Fund	0	8,247
Total	$ 562,569	$ 562,659

The interfund balances will be repaid once the anticipated revenues are received. These advances are expected to be repaid within one year. Interfund loans between governmental activities are eliminated on the statement of net position.

Interfund Transfers

During the fiscal year, the general fund transferred $77,128 to the bond retirement fund to provide additional resources for current operations.

Note 15 – Jointly Governed Organizations

Medina County Career Center

The Medina County Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational needs of the students. The Board of Education is comprised of representatives appointed by the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Brunswick City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. During fiscal year 2017, $2,340 was paid by Brunswick City School District to the Career Center. To obtain financial information write to the Medina Career Center, Aaron Butts, who serves as Treasurer, at 1101 West Liberty, Medina, Ohio 44256.

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among ninety-one school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2017, the School District paid $1,460 to the Council. Financial information can be obtained by contacting Dr. William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued $89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Northeast Ohio Network for Educational Technology (NEOnet)

The Northeast Ohio Network for Educational Technology (NEOnet) is a jointly governed organization among 27 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of these schools supports NEOnet based upon a per pupil charge dependent upon the software package utilized. The NEOnet assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. NEOnet is governed by a Board of Directors chosen from the general membership of the NEOnet Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least three at-large Assembly members. During the fiscal year 2017 the School District paid $159,991 to NEOnet. Financial information can be obtained by contacting the Fiscal Officer at 700 Graham Road, Cuyahoga Falls, OH 44221.

Note 16 – Public Entity Risk Pools

Insurance Purchasing Pool

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 Immediate Past President of the OSBA. The Executive Direct 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.

Risk Sharing Pool

The Suburban Health Consortium is a shared health risk pool created pursuant to State statute for the purpose of administering health care benefits. The 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 on the Board of Directors. The assembly exercises control over the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part at any time for their School District. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

Note 17 – 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 fiscal years.

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

	Capital Improvements Reserve
Set Aside Restricted Balance July 1, 2016	$ 0
Current Year Set Aside Requirement	1,289,484
Current Year Qualifying Expenditures	(3,487,461)
Total	$ (2,197,977)
Balance Carried Forward to Fiscal Year 2018	$ 0
Set Aside Restricted Balance June 30, 2017	$ 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 of future years. This negative balance is therefore not presented as being carried forward to future years.

Note 18 – Contingencies and Commitments

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

Litigation

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

School Foundation

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 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.

Encumbrance Commitments

Outstanding encumbrances for governmental funds include $1,068,876 in the general fund and $1,507,896 in the nonmajor governmental funds.

Note 19 – Subsequent Events

The School District is participating in a project with the Ohio Facilities Construction Commission (OFCC) to construct a new middle school, with funding partially provided by the OFCC and the School District responsible for the remaining costs. In the November 2017 general election, voters approved the issuance of bonds outside the ten-mil limitation to pay for the local portion of the construction of the new middle school in the aggregate principal of $48,108,302. On February 20, 2018, the Board authorized the issuance of 2018 Series A and Series B bonds for the combined aggregate principal of $48,108,302, which will be issued in March 2018.

Brunswick CSD
Medina County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2017	2016	2015	2014
State Teachers Retirement System (STRS)				
School District's Proportion of the Net Pension Liability	0.29366939%	0.30064004%	0.30921347%	0.30921347%
School District's Proportionate Share of the Net Pension Liability	$ 98,299,997	$ 83,088,113	$ 75,211,417	$ 89,591,348
School District's Covered Payroll	$ 31,647,557	$ 31,746,221	$ 31,363,315	$ 31,325,200
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	310.61%	261.73%	239.81%	286.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)				
School District's Proportion of the Net Pension Liability	0.31675300%	0.32517400%	0.34651000%	0.34651000%
School District's Proportionate Share of the Net Pension Liability	$ 23,183,397	$ 18,554,744	$ 17,536,674	$ 20,605,838
School District's Covered Payroll	$ 9,918,986	$ 10,701,533	$ 11,091,616	$ 10,069,725
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	233.73%	173.38%	158.11%	204.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

Brunswick CSD
Medina County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	2017	2016	2015	2014
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 4,462,967	$ 4,430,658	$ 4,444,471	$ 4,077,231
Contributions in Relation to the Contractually Required Contribution	(4,462,967)	(4,430,658)	(4,444,471)	(4,077,231)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 31,878,336	$ 31,647,557	$ 31,746,221	$ 31,363,315
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 1,461,685	$ 1,388,658	$ 1,410,462	$ 1,537,298
Contributions in Relation to the Contractually Required Contribution	(1,461,685)	(1,388,658)	(1,410,462)	(1,537,298)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 10,440,607	$ 9,918,986	$ 10,701,533	$ 11,091,616
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
$ 4,072,276	$ 4,345,350	$ 4,375,384	$ 4,102,013	$ 3,836,441	$ 4,072,848
(4,072,276)	(4,345,350)	(4,375,384)	(4,102,013)	(3,836,441)	(4,072,848)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 31,325,200	$ 33,425,769	$ 33,656,800	$ 31,553,946	$ 29,511,085	$ 31,329,600
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$ 1,393,650	$ 1,418,785	$ 954,799	$ 1,498,162	$ 1,321,404	$ 1,172,628
(1,393,650)	(1,418,785)	(954,799)	(1,498,162)	(1,321,404)	(1,172,628)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 10,069,725	$ 10,548,587	$ 7,595,855	$ 11,064,712	$ 13,428,902	$ 11,941,222
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ *Pass Through Grantor/* Program Title	Federal CFDA Number	**Pass Through Entity Identifying Number**	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the Ohio Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	**N/A**	$134,750	$134,750
National School Lunch Program- Cash Assistance	10.555	**N/A**	645,595	645,595
National School Lunch Program- Non-Cash Assistance	10.555	**N/A**	104,609	104,609
Total Child Nutrition Cluster			884,954	884,954
TOTAL U.S. DEPARTMENT OF AGRICULTURE			**884,954**	**884,954**
U.S. DEPARTMENT OF EDUCATION				
Passed Through the Ohio Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	**N/A**	(7,740)	295,203
			1,083,323	1,367,527
Total Special Education - Grants to States			1,075,583	1,662,730
Special Education - Preschool Grants	84.173	**N/A**	267	3,103
			19,476	20,570
Total Special Education - Preschool Grants			19,743	23,673
Total Special Education Cluster			1,095,326	1,686,403
Title I Grants to Local Educational Agencies	84.010	**N/A**	16,597	46,500
			513,619	591,263
Total Title I Grants to Local Educational Agencies			530,216	637,763
Supporting Effective Instruction State Grants	84.367	**N/A**	(196)	9,334
			82,757	91,003
Total Supporting Effective Instruction State Grants			82,561	100,337
Passed Through the Educational Service Center of Cuyahoga County:				
English Language Acquisition Grants	84.365	**N/A**	11,528	853
				7,498
Total English Language Acquisition Grants			11,528	8,351
TOTAL U.S. DEPARTMENT OF EDUCATION			**1,719,631**	**2,432,854**
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through the Ohio Department of Transportation				
Highway Planning and Construction Cluster	20.205	**PID 102784**	-	531,560
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			**-**	**531,560**
TOTAL			**$2,604,585**	**$3,849,368**

The accompanying notes are an integral part of this schedule.

BRUNSWICK CITY 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, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of Brunswick City School District (the District) under programs of the federal government for the year ended June 30, 2017. 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

Receipts and 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants and local receipts. 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.

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's (ODE) consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2016 to 2017 programs:

Program Title	CFDA Number	Amount Transferred From 2016 to 2017
Supporting Effective Instruction State Grants	84.367	$196
Special Education- Grants to States	84.027	7,740

NOTE F - MATCHING REQUIREMENTS

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

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

Brunswick City School District
Medina County
3643 Center Road
Brunswick, Ohio 44212

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, the major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio (the District) as of and for the year ended June 30, 2017, 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 12, 2018.

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.

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Compliance and Other Matters

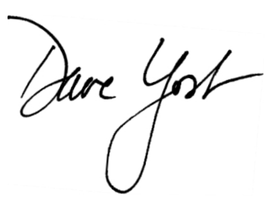
As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2018

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

Brunswick City School District
Medina County
3643 Center Road
Brunswick, Ohio 44212

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Brunswick City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Brunswick City School District's major federal programs for the year ended June 30, 2017. 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.

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Opinion on each of the Major Federal Programs

In our opinion, the Brunswick City 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, 2017.

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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2018

BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017

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)?**	Yes
(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; • Highway Planning and Construction Cluster, CFDA 20.205
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

FINDING NUMBER 2017-001

Noncompliance Finding

Finding For Recovery – Repaid Under Audit – Athletic Receipts Collected and Unaccounted For

For athletic events, an Individual Activity Financial Statement was used to report ticket sales at each athletic gate and pre-sale tickets. The forms were pre-populated by the Assistant Athletic Director with the beginning ticket number and start-up cash. The ticket sellers, and in the case of pre-sale tickets, the Assistant Athletic Director, would complete the form with the ending ticket number and calculate the amount sold. All money collected and start-up cash was maintained in the athletic department safe until the following business day. The Assistant Athletic Director was responsible for preparing the bank deposit. Since there were multiple athletic gates and pre-sale tickets for football games, the Assistant Athletic Director maintained a spreadsheet for entering data and preparing the deposit. He entered the beginning and ending ticket numbers, and a formula computed the number of tickets sold and the dollar amount that should have been collected. The Assistant Athletic Director counted out the total amount collected, per the total on the spreadsheet for the bank deposit, and the remaining amount was assumed to be start-up cash and was placed in the safe for future athletic events. At no point should the athletic start-up cash exceed $4,000.

While testing athletic collections for the September 16, 2016 varsity football game versus Solon High School, we noted an error on the spreadsheet the Assistant Athletic Director used to prepare the deposit. The deposit total did not include 271 adult pre-sale tickets, which at $6 per ticket, amounted to $1,626. Subsequent review of deposits by the District could not determine when or if the $1,626 was included in another deposit. Additionally, the Treasurer and current Athletic Director performed a physical cash count on August 29, 2017, which revealed cash on hand of $4,100; $100 was related to a known fundraiser and deposited, and $4,000 was the District approved $4,000 athletic start-up cash.

Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. **1980 Op. Att'y Gen. No. 80-074.**

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28,** a Finding for Recovery for public money collected but not accounted for is hereby issued against Bryan Biedron, Assistant Athletic Director, in the amount of $1,626 and in favor of the Brunswick City School District's District Managed Activity (300) Fund.

On January 8, 2018, Bryan Biedron reimbursed the District $1,626 through check #454, which was deposited in the District Managed Activity Fund.

Officials' Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

BOARD OF EDUCATION
BRUNSWICK CITY SCHOOL DISTRICT

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Dedicated to Excellence

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2017

	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The District has concluded this matter. Full recovery has been received from the individual deemed responsible. The District has taken steps to strengthen internal controls including but not limited to a change in area administration and applicable policies and procedures.	Feb 2018	Mark Pepera, CFO John Justice, District Athletic Director

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BRUNSWICK CITY 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 20, 2018

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