

Comprehensive Annual Financial Report

for the year ended June 30, 201



**Sandusky City Schools
Erie County, Ohio**

OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Sandusky City School District
407 Decatur Street
Sandusky, Ohio 44870

We have reviewed the *Independent Auditor's Report* of the Sandusky City School District, Erie County, prepared by Rea & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Sandusky City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2019

This page intentionally left blank.

**SANDUSKY CITY SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 201**

Prepared by:
Office of the Treasurer/CFO
Gina Deppert, Treasurer

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	vii
List of Principal Officers	xv
Organizational Chart	xvi
GFOA Certificate of Achievement for Excellence in Financial Reporting	xvii
ASBO Certificate of Excellence in Financial Reporting	xviii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary Fund	22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	23
Statement of Cash Flows - Proprietary Fund	24
Statement of Fiduciary Net Position - Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	26
Notes to the Basic Financial Statements	27
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability	69
Schedule of District Contributions for Net Pension Liability	71
Schedule of the District's Proportionate Share of the Net OPEB Liability	73
Schedule of District Contributions to OPEB	75
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	77
Notes to the Required Supplementary Information	78
Combining Statements and Individual Fund Schedules:	
Major Governmental Funds	
Fund Description	82
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) - Building Fund	83
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) - Classroom Facilities Fund	84
Nonmajor Governmental Funds	
Fund Descriptions	85
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	87
Nonmajor Special Revenue Funds	
Fund Descriptions	89
Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	96

TABLE OF CONTENTS

	<u>Page</u>
Nonmajor Special Revenue Funds (Continued)	
Schedule of Revenues, Expenditures and Changes in Fund Balance	
Budget and Actual (Non-GAAP Budgetary Basis):	
Other Grants	100
Special Trust	101
District Managed Student Activity	102
Auxiliary Services	103
Public School PreSchool	104
SchoolNet OneNet	105
Able/Job Grant	106
Adult Basic Education	107
Title VI B	108
Vocational Education	109
Basic Educational Opportunity Grant	110
Title I	111
EHA PreSchool Grant	112
Improving Teacher Quality	113
Miscellaneous Federal Grants	114
Food Service	115
Classroom Facilities Maintenance	116
Education Foundation	117
Title I School Improvement	118
Title III Limited English Proficiency	119
Nonmajor Debt Service Fund	
Fund Description	120
Schedule of Revenues, Expenditures and Changes in Fund Balance	
Budget and Actual (Non-GAAP Budgetary Basis):	
Debt Service	121
Nonmajor Capital Project Funds	
Fund Descriptions	123
Combining Balance Sheet	124
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	125
Schedule of Revenues, Expenditures and Changes in Fund Balance	
Budget and Actual (Non-GAAP Budgetary Basis):	
Permanent Improvement	126
Replacement	127
Nonmajor Permanent Fund	
Fund Description	128
Schedule of Revenues, Expenditures and Changes in Fund Balance	
Budget and Actual (Non-GAAP Budgetary Basis):	
Permanent	129

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page</u>
Other General Funds		
Fund Descriptions		130
Schedule of Revenues, Expenditures and Changes in Fund Balance		
Budget and Actual (Non-GAAP Budgetary Basis):		
Public School Support		131
Adult Education		132
Nonmajor Fiduciary Funds		
Fund Descriptions		133
Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds		134
Combining Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds		135
Statement of Changes in Assets and Liabilities - Agency Funds		136
STATISTICAL SECTION		
Statistical Section Narrative		137
Net Position by Component	1	139
Expenses, Program Revenues and Net (Expense)/Revenue	2	140
General Revenues and Total Change in Net Position	3	142
Fund Balances - Governmental Funds	4	143
Governmental Funds Revenues	5	144
Governmental Funds Expenditures and Debt Service Ratio	6	145
Other Financing Sources and Uses and Net Change in Fund Balances	7	146
Assessed Value and Actual Value of Taxable Property	8	147
Direct and Overlapping Property Tax Rates	9	148
Principal Property Tax Payers	10	149
Property Tax Levies and Collections	11	150
Outstanding Debt by Type	12	151
Direct and Overlapping Governmental Activities Debt	13	152
Legal Debt Margin Information	14	153
Demographic and Economic Statistics	15	154
Major Employers	16	155
Certificated Staff Training	17	156
Full-Time Equivalents (FTE) by Function/Program	18	157
Operating Statistics	19	158
School Building Information	20	160

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

This page intentionally left blank.



Sandusky City Schools

407 Decatur Street, Sandusky, OH 44870-2442 • 419-984-1005 • www.scs-k12.net

Office of the Treasurer

December 27, 2018

Members of the Board of Education and Residents of the
Sandusky City School District

The Comprehensive Annual Financial Report (CAFR) of the Sandusky City School District (the "District") for the fiscal year ended June 30, 2018 is hereby submitted. This CAFR includes financial statements and other financial and statistical data and conforms to accounting principles generally accepted in the United States of America (GAAP) as they apply to governmental entities. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived from its implementation; and (2) the valuation of costs and benefits requires estimates and judgments by management.

State statute requires an annual audit by independent accountants. Rea & Associates, Inc. conducted the audit. The audit has been conducted in accordance with generally accepted auditing standards, generally accepted government auditing standards, and include a review of internal controls and test of compliance with Federal and State laws and regulations. The Independent Auditors' Report is included in this CAFR.

As a part of the District's independent audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the school district has complied with applicable laws and regulations. The results of the District's independent audit for the fiscal year ended June 30, 2018 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

This transmittal letter is designed to provide historical information about the District, as well as compliment the required Management's Discussion and Analysis (MD&A). Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The District's MD&A, which focuses on the government-wide statements, can be found immediately following the Independent Auditors' Report.

PROFILE OF SANDUSKY CITY SCHOOL DISTRICT

The District ranks as 128th largest by total enrollment among the 612 public school districts in the state and is the largest in Erie County. As of the current school year (2017-2018), the average daily membership (ADM) was 3,754 students. 3,240 of these students attend one of the District's seven schools. District enrollment is expected to remain steady over the next several years.

The District has 475 full and part time employees. The District employs 273 certified staff members including 30 administrators. Additionally, the District employs 7 full-time adult education instructors and 174 full-time and part-time non-teaching staff members.

The District offers a wide variety of educational programs for all segments of the community. Sandusky High School is one of the few comprehensive high schools in Ohio, containing eleven (11) career technical education programs as well as a wide range of college preparatory offerings. Additionally, the adult continuing education program serves nearly 160 adults each year in degree programs. The District provides extensive special education services and offers a kindergarten through twelfth grade accelerated and gifted program. All District kindergarten students attend all-day, everyday kindergarten classes and benefit from a full day of instruction.

A full range of extracurricular programs and activities is available to students beginning with the elementary grades. All District schools have libraries, special purpose rooms, including computer labs and unique curricular offerings designed by the individual building staff and administration.

An active Council of local neighborhood Parent Councils provides for articulation, cooperation, and communication and partnership between parents, community members, and school officials.

The District cooperates with the City of Sandusky Recreation and Parks Department, churches and a number of community and civic organizations in making school facilities available for athletic, recreational and enrichment activities.

Classroom teachers at all levels are supported by specialists in media, guidance, art, instrumental and vocal music, physical education and curriculum development. A comprehensive interscholastic and intramural sports program is offered to students at select grade levels of the District. All elementary schools have full-time media aides and secondary schools are staffed by certified media specialists. School nurses, psychologists, speech therapists, one media coordinator, counselors, specific coordinators for Title I (a federally funded reading and mathematics program), and gifted programs offer direction, support and coordination of services for all students.

Overlapping Governmental Entities

The major political subdivisions or other governmental entities that overlap the territory of the District are listed below. The stated percentage is that percentage of the tax valuation of the overlapping entity that is located within the District.

1. A portion (22% - approximately) of Erie County functions allocated to counties by Ohio law, such as elections, health and human services, and judicial.
2. The City of Sandusky (100%) has municipal corporation responsibilities.

Each of these entities operates independently, with its own separate budget, taxing power, and sources of revenue. Both Erie County and the City of Sandusky levy ad valorem property taxes within the ten-mill limitation (subject to available statutory allocation of the 10 mills). The District also acts as fiscal agent for local tax revenues distributed to the Sandusky Library, located within the District's boundaries, with this revenue reported in the agency funds. The District is not considered a component unit of another government.

The District is an active member of the Enterprise Zone Negotiating Committee, along with the City of Sandusky and Erie County. The Enterprise Zone offers tax abatements for real and personal property improvements and additions to businesses located within the city. A number of local companies have been granted partial tax abatements on additions made during the last several years. The City of Sandusky and the District have also benefited from these expansions through additional tax revenues from the unabated portion of valuation increases on the property and from improved economic conditions resulting from growth in employment of city residents.

Employees

A statewide public employee bargaining law applies generally to public employee relations and collective bargaining. The starting salary (2017-2018 school year) for a teacher with a bachelor's degree is \$37,879, and the maximum salary for a teacher with a master's degree plus 24 graduate hours and 24 years of experience is \$80,921.

The District's certificated employees, excluding administration, are members of the Sandusky Education Association (S.E.A.), a labor organization affiliated with the Ohio Education Association. The current contract between the Board of Education and the S.E.A. expires August 31, 2020.

All of the District's support staff employees, including secretarial, custodial, maintenance, transportation, and teacher aides, are represented for bargaining purposes by the Sandusky Non-Teaching Employees Association (S.N.T.E.A.), a labor organization affiliated with the Ohio Education Association. The current S.N.T.E.A. contract expired June 30, 2018.

The District has never experienced any work stoppage or job actions. In the judgment of the Board and administration, labor relations between the District and its employees remain excellent.

Parochial Schools

The District acts as fiscal agent for state funds distributed to parochial schools, with revenue reported in special revenue funds. The Early Childhood Center (Kindergarten Readiness and Preschool), St. Mary Elementary and Jr. High School (K-8) and St. Mary's Central Catholic High School (9-12) are all reported as a single entity under one IRN, are all located within the District and serve students who reside both inside and outside the District. Total enrollment for fiscal year 2017-2018 was 549.

Budgetary Controls

In addition to the internal control structure mentioned above, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Activities of all funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by the Board at the fund level. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Unencumbered amounts lapse at year-end. A complete description of the District's Budgetary Process can be found in the Notes to the Required Supplementary Information.

ECONOMIC CONDITION

Local Economy

The District is located in Erie County, in Northwest Ohio, approximately sixty miles west of Cleveland and sixty miles east of Toledo. All of the District is located within Erie County and falls entirely within the corporate boundaries of the City of Sandusky, which lies on the shores of Sandusky Bay and Lake Erie.

The District is served by diversified transportation facilities including immediate access to four State highways and Interstate 80 (Ohio Turnpike). The District is served by CSX, Norfolk and Southern, and Amtrak Rail Services.

Major commercial banks with offices within the District include PNC Bank, US Bank, Key Bank, Fifth Third Bank and Civista Bank.

Two daily newspapers serve the District. The District falls within the broadcast area of seven television stations and numerous AM/FM radio stations. One television station is located within the city limits as are two AM/FM radio stations. The District has a cable television license and broadcasts school information on cable Channel 81.

Within commuting distance of the District are numerous public and private two and four-year colleges and universities including Bowling Green State University Firelands Campus, Ashland University, Cleveland State University, Toledo University, Bowling Green State University, Terra

Community College, and Lorain Community College. Bowling Green State University, Terra Community College and Owens Community College utilize District facilities and staff for course offerings to area residents and students.

The District is served with a wide range of recreational offerings through school and City recreation and park programs. One of the things that make the District an attractive place to live is its unique location. It is located on both Sandusky Bay and Lake Erie with over twenty-two (22) miles of shoreline within the city limits. The close association with the water and the inherent access to boating, sailing, fishing, and swimming, etc. gives this District an atmosphere of a coastal city. Lake freighters, ferry boats, commercial fishing boats and pleasure boats are commonplace. The lake and bay along with Cedar Point Amusement Park, many fine golf courses, restaurants, motels, shops, and business enterprises have resulted in a booming tourist trade and have given the District's area the reputation of being one of the premier places in the country to live. The District offers the advantages of a small town, a reasonable cost of living, and excellent medical facilities (including Firelands Regional Medical Center in Sandusky).

The local economy has been in a gradual decline for several years. A number of businesses have closed or left Sandusky, taking with them a significant number of manufacturing jobs. The City's unemployment rate in June of 2018 was 5.6%, compared with state and national unemployment rates of 4.5% and 4.0% respectively.

As further evidence of a struggling economy in Sandusky, according to the U.S. Census Bureau the median family income in the City was \$46,073 in the year 2013, compared with \$48,081 and \$52,250 state and national averages, respectively. Additionally, the median home value in Sandusky in 2000 was \$75,400, compared with \$103,700 and \$119,600 median home values in the state and the nation, respectively.

Long-Term Financial Planning

The District prepares a five-year financial forecast annually for use as a tool for long range planning. The five-year forecast contains projected local and state revenues, spending patterns within each area of the budget, and cash balances in the District's operating fund. The five-year forecast provides early warning signs of potential financial problems.

The District regularly updates the five-year forecast for use as a basis for making financial decisions, including the construction of the annual budget, adjustments to staffing levels, collective bargaining, and the placement of tax levies on the ballot. Specific examples of recent decisions that have resulted in improvements in the District's financial condition include the approval of a 4.9 mill operating levy in 2012, the closure of school buildings due to decreased enrollment which has resulted in the net reduction of paid staff positions, the combination of 7th and 8th grade students into a separate section of Sandusky High School, the successful replacement of a 2.0 mill permanent improvement levy in 2009, the successful renewal of a five-year, \$1.5 million emergency levy in May, 2014, and a successful passage of a bond issue levy in November, 2016 for the construction of new school buildings. The district has begun with preliminary site construction for grades 1-2 and 3-6, to be built and open for the 2020-21 school year. The PK-K grades will have a new building scheduled to open in 2021-2022 school year. The construction project began during the 2017-18

school year, with the site preparation for two new buildings. The Ontario building was demolished and the Ontario students transitioned to the building located at the Adams street site for temporary placement until the new buildings open. The Ohio Facilities Construction Commission is assisting with funding the project contributing 64%. In addition the district is preparing to fund locally funded initiatives. The information below summarizes the construction project:

Item	Description	Budget Amount	State Funded	Local Funded	Total
Preschool Classrooms	5 additional classrooms offering a full preschool experience for all Blue Streaks	\$2,100,000.00		\$2,100,000.00	\$2,100,000.00
Upgrade Science Labs	Upgrade 7 science labs with utilities, and 2 labs for general science rooms at the current SMS and SHS. Room 300/301 will include new finishes, lighting wiring, and seating.	\$2,900,000.00		\$2,900,000.00	\$2,900,000.00
Upgrades to the Planetarium	Renovation of the current SHS Planetarium to include new seating, and lighting. In addition, the implementation of new technology for advanced instructional delivery for all Blue Streaks.	\$1,000,000.00		\$1,000,000.00	\$1,000,000.00
2 Varsity-Sized Courts	Construction of 2 Varsity-Sized Courts for the proposed grades 3-6 building.	\$3,800,000.00		\$3,800,000.00	\$3,800,000.00
Global Educational Center	New Classroom spaces to offer global educational experiences to all Blue Streaks. In addition, the GEC will serve dual purpose to include an unprecedented professional development center.	\$2,400,000.00		\$2,400,000.00	\$2,400,000.00
STEAM Science Labs	2 State-Of-The-Art STEAM Labs located at the Global Educational Center	\$800,000.00		\$800,000.00	\$800,000.00
Renovate the current SHS Pool	Renovate the entire 1957 Natatorium Pool Structure Repair Deck/Seating/Foundation Air Handler/Ductwork/Lighting Locker rooms	\$2,000,000.00		\$2,000,000.00	\$2,000,000.00
High School Upgrades	SHS Auditorium, soundboard, curtains, roofing, sprinkler system (required) in addition, contingency funds to address current upgrades for SHS for soft construction costs	\$500,000.00		\$500,000.00	\$500,000.00
PK-K	Build a new facility for all PK-K Blue Streaks	\$11,215,979.00	\$7,178,226.56	\$4,037,752.44	\$11,215,979.00
1-2	Build a new facility for all grades 1-2 Blue Streaks	\$15,142,569.00	\$9,691,244.16	\$5,451,324.84	\$15,142,569.00
3-6	Build a new facility for all grades 3-6 Blue Streaks	\$25,527,497.00	\$16,337,598.08	\$9,189,898.92	\$25,527,497.00
Abatement/Demolition Budget	Abate and demolish budget older facilities (Ontario, Jackson, Osborne, Hancock)	\$3,196,133.00	\$2,045,525.12	\$1,150,607.88	\$3,196,133.00

The District continues to monitor its finances, planning for long-term viability and financial responsibility, but the uncertainty of state funding due to consistent changes in the state funding formula and current funding for open enrollment, community and non-public schools, especially scholarship funding, creates a situation where the state funding for the future is unknown and future planning becomes reactionary based on the direction of state policy and legislation.

Major Initiatives for the Year

The District implemented and continued a number of significant programs during the past year to meet student and community needs.

The District continued to invest in technology in the 2017-2018 school year. The District employs a computer technician and an instructional technology facilitator to provide support to District staff. In addition, the District contracts for additional technician services with outside companies.

For the 2014-2015 school year, the Sandusky City School District unveiled its latest drop-out prevention/student retention program, the Sandusky Digital Academy, an alternative high school option. Initial enrollment at the Academy was approximately 110 students and that figure remained steady for the 2017-2018 school year.

Major Initiatives for the Future

The District will continue to upgrade all areas of technology in the 2017-2018 school year and beyond to meet demands of a global focused 21st century education. Our priority will be to enhance hardware and software upgrades that promote seamless technology integration into our instructional and systemic deliveries.

The Sandusky City School District launched The Great Lakes Visual and Performing Arts Academy for the 2015-2016 school year. The academy will provide students with a variety of personally relevant arts opportunities which will help cultivate the whole child as they discover and develop their unique skills and talents.

The District also rolled out its Global Experience Program which will offer our senior students the opportunity to intern with local businesses, industries, colleges, non-profits and the military in their career choice and Blue Streak University which provided and organized system for our students to complete their high school education while earning college credits with the potential of acquiring up to an associates degree.

The District has instituted a rolling open-enrollment time frame policy and intends to expand awareness of the positive academic programs offered by the District.

RELEVANT FINANCIAL POLICIES

The State of Ohio developed a new funding formula for funding public education in the state. The new formula allocates funding based on the number and demographic makeup of the district's student population as well as the relative wealth (both property and income based) for a district. In addition to the formula aid, districts are guaranteed to not receive less funding than they did in the base year or are capped on their growth.

Another significant change in the budget bill was the restructuring of Tangible Personal Property (TPP) and Electric Deregulation Property Tax reimbursements. These reimbursements were restructured such that, for FY17, the reduction in the district's phase out for each reimbursement is limited to 5/8 mil. Legislation was also passed in the fall of 2016 to hold harmless thus providing the district with TPP supplement via the state funding formula. These funding limits, spending mandates and deduction increases all have to be taken into account in monitoring the operation of the Sandusky City School District and future decisions on pursuing additional revenue or expenditure reductions.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sandusky City School District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principals and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The District has also received a Certificate of Excellence in Financial Reporting in School Districts from the Association of School Business Officials (ASBO) for the District's comprehensive annual financial report for the fiscal year ended June 30, 2017. The award is granted only after an intensive review of financial reports by an expert panel of certified public accountants and practicing school business officials. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to ASBO to determine its eligibility for another certificate.

The preparation of the CAFR on a timely basis was made possible by the dedicated services of the Treasurer's office staff. In addition, we acknowledge the outstanding services of our data processing department in meeting the vast informational requirements. Our consultant, Plattenburg & Associates, Inc. provided us with expert technical assistance in all phases of preparing the report. The assistance of the Erie County Auditor's office in providing information is also appreciated. Finally, we wish to acknowledge the cooperation of the team from Rea & Associates, Inc., who conducted a thorough audit of our finances.

In closing, without the leadership and support of the Board of Education of the District, preparation of this report would not have been possible.

Sincerely,



Gina Deppert, Treasurer



Eugene T.W. Sanders, Superintendent

**SANDUSKY CITY SCHOOL DISTRICT
ERIE COUNTY, OHIO**

LIST OF PRINCIPAL OFFICERS
JUNE 30, 2018

<u>Name</u>	Board of Education		Vocation in Private Life
	Began Service as a Board Member <u>January 1</u>	Present Term Expires <u>December 31</u>	
Mr. Jeff Krabill	2008	2019	Self Employed
Mrs. Martha Murray*	2012	2019	Homemaker
Mr. Thomas Patterson	2014	2019	Businessman
Mrs. Kate Vargo	2012+	2020	Pharm. Rep.
Brigitte Green-Churchwell**	2013+	2020	Instructor/BGSU

** President

* Vice President

+ Appointed to fill unexpired term due to a resignation

Central Office Administrative Staff

Dr. Eugene T.W. Sanders	Superintendent/CEO
Mrs. Gina Deppert	Treasurer/CFO
Mr. Dan Poggiali	Chief of Staff/Transformation Officer
Dr. Julie McDonald	Chief Academic Officer
Mrs. Yvonne Anderson	Assistant Treasurer
Mrs. Nancy Hall	Director of Adult & Vocational Education
Mrs. Dakota King-White	Director of Student Services
Melanie Thorbhan	Executive Assistant to Superintendent/CEO
Mr. Brad Kraft	Food Services Supervisor
Mr. Ted Peters	Transportation Supervisor
Mr. Kevin Toms	Supervisor of Building Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Sandusky City School District
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Sandusky City School District, Ohio

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.' The signature is written in a cursive style and is positioned above a horizontal line.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink, reading 'John D. Musso'. The signature is written in a cursive style and is positioned above a horizontal line.

John D. Musso, CAE
Executive Director

FINANCIAL SECTION

This page intentionally left blank.

December 27, 2018

To the Board of Education and Management
Sandusky City School District
Erie County, Ohio
407 Decatur Street
Sandusky, OH 44870

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Emphasis of a Matter

As described in Note 18, the District restated the net position balance to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions for Net Pension Liability, Schedule of the District's Proportionate Share of the Net OPEB Liability, Schedule of District Contributions to OPEB, and Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund* on pages 4-15, 69-70, 71-72, 73-74, 75-76, and 77 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Hea & Associates, Inc.

Medina, Ohio

Sandusky City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased \$26,005,693 which represents a 112% increase from 2017 restated Net Position.
- General revenues accounted for \$46,405,054 in revenue or 77% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$13,621,512 or 23% of total revenues of \$60,026,566.
- The District had \$34,020,873 in expenses related to governmental activities; \$13,621,512 of these expenses were offset by program specific charges for services and grants or contributions. General revenues of \$46,405,054 were also used to provide for these programs.
- The School District implemented GASB 75, which reduced beginning net position as previously reported by \$15,445,360.
- A decrease in net pension liability and net OPEB liability substantially decreased all instructional and support services expenses compared to fiscal year 2017. See further explanation after Table 1.
- The District entered into agreement with the Ohio Facilities Construction Commission (OFCC) and began construction on a school facility improvement project during fiscal year 2018.

Overview of the Financial Statements

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

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

Sandusky City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Government-wide Financial Statements

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

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds begins on the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

Proprietary Fund The District maintains one proprietary internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for self insurance of the District's medical, dental and vision benefits.

Sandusky City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds account for scholarship trust money and endowment money.

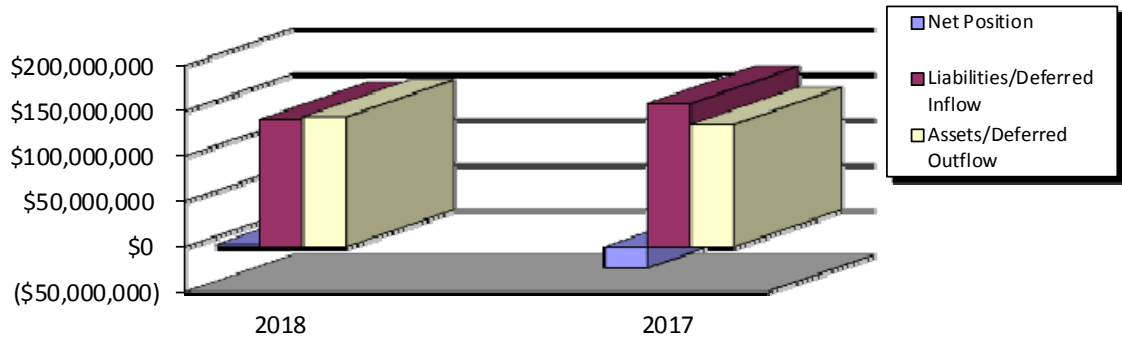
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2018 compared to fiscal year 2017:

Table 1
Net Position

	Governmental Activities	
	2018	2017-Restated
Assets:		
Current and Other Assets	\$108,396,784	\$110,052,528
Capital Assets	17,148,869	10,627,825
Total Assets	<u>125,545,653</u>	<u>120,680,353</u>
Deferred Outflows of Resources:		
OPEB	690,634	104,057
Pension	17,110,928	14,211,244
Total Deferred Outflows of Resources	<u>17,801,562</u>	<u>14,315,301</u>
Liabilities:		
Other Liabilities	9,184,900	7,126,632
Long-Term Liabilities	108,800,146	133,050,229
Total Liabilities	<u>117,985,046</u>	<u>140,176,861</u>
Deferred Inflows of Resources:		
Property Taxes	19,104,733	17,863,685
Grants and Other Taxes	18,311	30,944
Pension	1,960,001	74,784
OPEB	1,424,051	0
Total Deferred Inflows of Resources	<u>22,507,096</u>	<u>17,969,413</u>
Net Position:		
Net Investment in Capital Assets	8,723,039	10,627,825
Restricted	41,346,946	37,925,259
Unrestricted	(47,214,912)	(71,703,704)
Total Net Position	<u>\$2,855,073</u>	<u>(\$23,150,620)</u>

Sandusky City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)



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

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of

Sandusky City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$7,705,260) to (\$23,150,620).

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$2,855,073.

At year-end, capital assets represented 14% of total assets. Capital assets include land, land improvements, construction in progress, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2018, was \$8,723,039. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be

Sandusky City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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 District's net position, \$41,346,946 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets increased from fiscal year 2017 to fiscal year 2018 mainly because of an increase in equity and cash investments, primarily due to the timing of revenues relating to the OFCC project against expenses, offset by a decrease in the related intergovernmental receivable. Capital assets increased due to construction in progress for the OFCC project. The progress of the OFCC project was also the primary increase in current liabilities for work completed but not yet paid at year end.

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

This Space Intentionally Left Blank

Sandusky City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues		
Charges for Services and Sales	\$2,443,991	\$1,874,319
Operating Grants and Contributions	11,177,521	10,347,117
General Revenues		
Property Taxes	22,268,321	19,437,694
Grants and Entitlements not Restricted to Specific Programs	22,788,223	22,660,493
Other	1,348,510	35,840,740
Total Revenues	<u>60,026,566</u>	<u>90,160,363</u>
Program Expenses		
Instruction	22,476,864	36,502,846
Support Services:		
Pupil and Instructional Staff	2,106,770	4,888,427
School Administrative, General		
Administration, Fiscal and Business	1,654,317	4,732,758
Operations and Maintenance	1,944,026	3,349,576
Pupil Transportation	838,067	2,058,289
Central	301,687	718,953
Operation of Non-Instructional Services	2,571,647	3,373,837
Extracurricular Activities	626,236	1,362,308
Interest and Fiscal Charges	1,501,259	957,888
Total Program Expenses	<u>34,020,873</u>	<u>57,944,882</u>
Change in Net Position	26,005,693	32,215,481
Net Position - Beginning of Year, Restated	<u>(23,150,620)</u>	<u>N/A</u>
Net Position - End of Year	<u>\$2,855,073</u>	<u>(\$23,150,620)</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$104,057 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$1,935,246. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Sandusky City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Total 2018 operating expenses under GASB 75	\$34,020,873
Negative OPEB expense under GASB 75	1,935,246
2018 contractually required contribution	136,790
Adjusted 2018 operating expenses	<u>36,092,909</u>
Total 2017 operating expenses under GASB 45	<u>57,944,882</u>
Change in operating expenses not related to OPEB	<u><u>(\$21,851,973)</u></u>

Of the total governmental activities revenues of \$60,026,566, \$13,621,512 is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$22,268,321 (48%) comes from property tax levies and \$22,788,223 (49%) is from state funding. This District’s operations are reliant upon its property tax levy and the state’s foundation program.

The District revenues are mainly from two sources. Property taxes levied for general, special revenue, debt service, and capital projects purposes, and grants and entitlements comprised 75% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

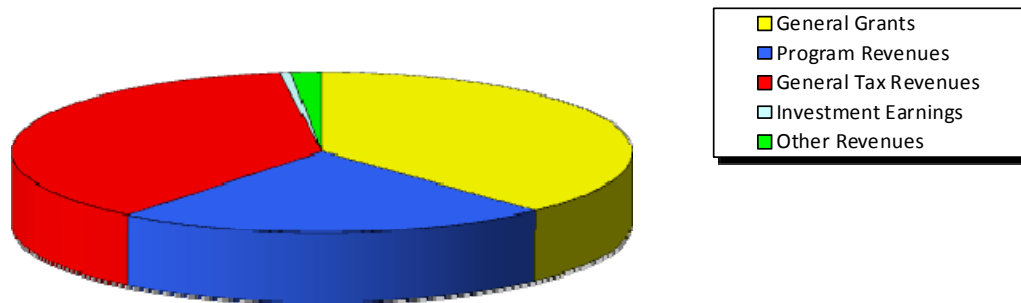
Thus, Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property taxes made up 37% of revenue for governmental activities for the District in fiscal year 2018.

This Space Intentionally Left Blank

Sandusky City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Governmental Activities
Revenue Sources

Revenues	2018	Percentage
General Grants	\$22,788,223	38.00%
Program Revenues	13,621,512	22.70%
General Tax Revenues	22,268,321	37.10%
Investment Earnings	390,086	0.60%
Other Revenues	958,424	1.60%
Total Revenue Sources	\$60,026,566	100.00%



Instruction comprises 66% of governmental program expenses. Support services expenses were 20% of governmental program expenses. All other program expenses including interest expense were 14%. Interest expense was attributable to debt payments.

Expenses decreased from 2017 to 2018 mainly due to changes related to net pension liability and other post employment benefits liability. See financial highlights for explanation of fluctuations in instructional and support service expenses. Revenues decreased from 2017 to 2018 mainly due to a decrease in grants and entitlements, for capital construction, in 2018.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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.

This Space Intentionally Left Blank

Sandusky City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$22,476,864	\$36,502,846	(\$13,385,370)	(\$28,826,258)
Support Services:				
Pupil and Instructional Staff	2,106,770	4,888,427	(1,362,833)	(4,086,128)
School Administrative, General				
Administration, Fiscal and Business	1,654,317	4,732,758	(1,551,276)	(4,673,446)
Operations and Maintenance	1,944,026	3,349,576	(1,930,555)	(3,300,423)
Pupil Transportation	838,067	2,058,289	(652,062)	(1,848,022)
Central	301,687	718,953	(289,087)	(706,353)
Operation of Non-Instructional Services	2,571,647	3,373,837	628,783	(234,099)
Extracurricular Activities	626,236	1,362,308	(355,702)	(1,090,829)
Interest and Fiscal Charges	1,501,259	957,888	(1,501,259)	(957,888)
Total Expenses	<u>\$34,020,873</u>	<u>\$57,944,882</u>	<u>(\$20,399,361)</u>	<u>(\$45,723,446)</u>

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

The District’s Funds

The District has three major governmental funds: the General Fund, the Building Fund, and the Classroom Facilities Fund. Assets of the General Fund comprised \$31,031,728 (29%), the Building Fund comprised \$13,874,446 (13%), the Classroom Facilities Fund comprised \$52,475,093 (50%) of the total \$105,662,507 governmental funds’ assets.

General Fund: Fund balance at June 30, 2018 was \$7,738,036, an increase in fund balance of \$1,402,853 from 2017. The primary reason for the increase in fund balance was the increase in property taxes revenue.

Building Fund: Fund balance at June 30, 2018 was \$12,662,752, a decrease in fund balance of \$2,821,800 from 2017. The primary reason for the decrease in fund balance was due to the increase in capital outlay expenditures from 2017 to 2018.

Classroom Facilities Fund: Fund balance at June 30, 2018 was \$24,983,880, an increase in fund balance of \$5,158,910 from 2017. The primary reason for the increase in fund balance was due to the increase in intergovernmental revenue.

General Fund Budgeting Highlights

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

Sandusky City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

During the course of fiscal year 2018, the District amended its general fund budget at times, however none were significant. The District’s budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the final budgeted revenue was \$48,385,107 and the original budgeted revenue was \$46,724,099. The difference was \$1,661,008. Of this difference, most was due to underestimating taxes and intergovernmental revenue. The final budgeted expenditures were \$46,873,186 and the original budgeted expenditures were \$45,074,621. The difference was \$1,798,565. Of this difference, most was due to the under estimates in instruction expenses and support services.

The District’s ending unobligated actual fund balance for the General fund was \$10,022,002.

The teachers union agreement was reached December 2017 including a 2% retro increase on the base for all employees (the support staff has a “me too” clause, thus causing the increase in salary and benefit obligations.) Also, property tax revenue included more tax payers paying the full year for the first half collections, which increased revenue collections.

Capital Assets and Long-Term Obligations

Capital Assets

At the fiscal year end, the District had \$17,148,869 invested in land, land improvements, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Construction in Progress	\$6,533,824	\$0
Land	3,024,222	2,639,184
Land Improvements	181,029	197,203
Buildings and Improvements	5,445,621	5,777,678
Furniture and Equipment	923,635	1,010,394
Vehicles	1,040,538	1,003,366
Total Net Capital Assets	<u>\$17,148,869</u>	<u>\$10,627,825</u>

Overall, capital assets increased due primarily to construction in progress increasing as a result of the start of the OFCC construction project in 2018.

See Note 8 in the notes to the basic financial statements for further details on the District’s capital assets.

Sandusky City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Long-Term Obligations

At June 30, 2018, the District had \$35,897,929 in debt outstanding, \$345,000 due within one year. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	<u>2018</u>	<u>2017</u>
Bonds Payable:		
Classroom Facilities Bonds- 2017-1	\$24,060,000	\$24,935,000
Classroom Facilities Bonds Premium- 2017-1	2,010,441	2,020,372
Classroom Facilities Bonds- 2017-2	9,115,000	9,215,000
Classroom Facilities Bonds Premium- 2017-2	<u>712,488</u>	<u>713,486</u>
Total Outstanding Debt at Year End	<u><u>\$35,897,929</u></u>	<u><u>\$36,883,858</u></u>

See Note 9 in the notes to the basic financial statements for further details on the District’s outstanding debt.

For the Future

The District is projecting and continues to project general fund cash reserves over the next 5 fiscal years. The District has experienced increases in state revenue from the Ohio Department of Education. Sandusky City Schools is projected to receive maximum amount of revenue with continued gain limitations permitted. The funding limits, continued spending mandates, and deduction increases are all taken into consideration for the overall operation of the Districts. The management team will monitor line 6.01 of the five year financial forecast to ensure revenues continue to align within expenditures.

The Sandusky City School District passed a bond issue levy in November, 2016 for the construction of new school buildings. The construction of the new school buildings began in fiscal year 2018.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, Sandusky City School District, 407 Decatur Street, Sandusky, Ohio 44870.

This Space Intentionally Left Blank

Sandusky City School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$57,579,103
Restricted Cash and Investments	63,325
Receivables (Net):	
Taxes	22,567,021
Accounts	362,819
Intergovernmental	27,784,129
Prepaid Assets	5,265
Inventory	35,122
Nondepreciable Capital Assets	9,558,046
Depreciable Capital Assets, Net	<u>7,590,823</u>
 Total Assets	 <u>125,545,653</u>
Deferred Outflows of Resources:	
Pension	17,110,928
OPEB	<u>690,634</u>
 Total Deferred Outflows of Resources	 <u>17,801,562</u>
Liabilities:	
Accounts Payable	2,437,029
Accrued Wages and Benefits	5,795,831
Retainage Payable	63,325
Accrued Interest Payable	251,384
Claims Payable	637,331
Long-Term Liabilities:	
Due Within One Year	931,807
Due In More Than One Year:	
Net Pension Liability	56,663,842
Net OPEB Liability	12,639,907
Other Amounts	<u>38,564,590</u>
 Total Liabilities	 <u>117,985,046</u>
Deferred Inflows of Resources:	
Property Taxes	19,104,733
Grants and Other Taxes	18,311
OPEB	1,424,051
Pension	<u>1,960,001</u>
 Total Deferred Inflows of Resources	 <u>22,507,096</u>
Net Position:	
Net Investment in Capital Assets	8,723,039
Restricted for:	
Debt Service	1,312,883
Capital Projects	37,677,781
Special Trust	152,324
Perpetual Care:	
Expendable	156,726
Nonexpendable	10,000
Other Grants	362,441
Education Foundation	149,690
District Managed Student Activities	177,648
State Grants	10,028
Federal Grants	171,775
Food Service	751,602
Other Purposes	414,048
Unrestricted	<u>(47,214,912)</u>
 Total Net Position	 <u>\$2,855,073</u>

See accompanying notes to the basic financial statements.

Sandusky City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$15,425,663	\$885,830	\$348,718	(\$14,191,115)
Special	5,497,657	311,670	5,315,440	129,453
Vocational	825,205	0	580,843	(244,362)
Adult/Continuing	719,231	880,202	271,297	432,268
Other	9,108	0	497,494	488,386
Support Services:				
Pupil	1,480,059	0	317,847	(1,162,212)
Instructional Staff	626,711	0	426,090	(200,621)
General Administration	344,959	0	0	(344,959)
School Administration	589,210	0	67,878	(521,332)
Fiscal	625,243	0	35,163	(590,080)
Business	94,905	0	0	(94,905)
Operations and Maintenance	1,944,026	13,471	0	(1,930,555)
Pupil Transportation	838,067	0	186,005	(652,062)
Central	301,687	0	12,600	(289,087)
Operation of Non-Instructional Services	2,571,647	82,284	3,118,146	628,783
Extracurricular Activities	626,236	270,534	0	(355,702)
Interest and Fiscal Charges	1,501,259	0	0	(1,501,259)
Totals	\$34,020,873	\$2,443,991	\$11,177,521	(20,399,361)

General Revenues:

Property Taxes Levied for:

General Purposes	19,438,510
Special Revenue Purposes	219,185
Debt Service Purposes	1,770,975
Capital Projects Purposes	839,651
Grants and Entitlements, Not Restricted	22,788,223
Revenue in Lieu of Taxes	20,490
Unrestricted Contributions	84,378
Investment Earnings	390,086
Refunds and Reimbursements	319
Other Revenues	853,237

Total General Revenues 46,405,054

Changes in Net Position 26,005,693

Net Position - Beginning of Year, Restated (23,150,620)

Net Position - End of Year \$2,855,073

See accompanying notes to the basic financial statements.

Sandusky City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$10,872,859	\$13,844,183	\$25,704,913	\$4,316,320	\$54,738,275
Restricted Cash and Investments	0	30,263	33,062	0	63,325
Receivables (Net):					
Taxes	19,766,113	0	0	2,800,908	22,567,021
Accounts	164,764	0	0	125,464	290,228
Intergovernmental	44,179	0	26,737,118	1,002,832	27,784,129
Interfund	179,142	0	0	0	179,142
Prepaid Assets	4,671	0	0	594	5,265
Inventory	0	0	0	35,122	35,122
Total Assets	31,031,728	13,874,446	52,475,093	8,281,240	105,662,507
Liabilities:					
Accounts Payable	389,720	1,181,431	721,033	130,240	2,422,424
Accrued Wages and Benefits	5,117,356	0	0	678,475	5,795,831
Compensated Absences	228,031	0	0	0	228,031
Retainage Payable	0	30,263	33,062	0	63,325
Interfund Payable	0	0	0	179,142	179,142
Total Liabilities	5,735,107	1,211,694	754,095	987,857	8,688,753
Deferred Inflows of Resources:					
Property Taxes	17,540,274	0	0	2,454,411	19,994,685
OFCC Capital Construction	0	0	26,737,118	0	26,737,118
Grants and Other Taxes	18,311	0	0	697,203	715,514
Total Deferred Inflows of Resources	17,558,585	0	26,737,118	3,151,614	47,447,317
Fund Balances:					
Nonspendable	4,671	0	0	10,594	15,265
Restricted	0	12,662,752	24,983,880	4,399,113	42,045,745
Assigned	120,547	0	0	26,673	147,220
Unassigned (Deficit)	7,612,818	0	0	(294,611)	7,318,207
Total Fund Balances	7,738,036	12,662,752	24,983,880	4,141,769	49,526,437
Total Liabilities, Deferred Inflows and Fund Balances	\$31,031,728	\$13,874,446	\$52,475,093	\$8,281,240	\$105,662,507

See accompanying notes to the basic financial statements.

Sandusky City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2018

Total Governmental Fund Balance \$49,526,437

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.

Capital assets used in the operation of Governmental Funds 17,148,869

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are unavailable in the funds.

Delinquent Property Taxes	889,952	
Intergovernmental	697,203	
Other Receivables	<u>26,737,118</u>	
		28,324,273

An internal service fund is used by management to charge
 back costs to individual funds. The assets and
 liabilities of the internal service fund are included in
 governmental activities in the statement of net position.

Internal Service Net Position 2,261,483

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources.

(251,384)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (3,370,437)

Deferred outflows and inflows or resources related to pensions and OPEB
 are applicable to future periods and, therefore, are not
 reported in the funds.

Deferred outflows of resources related to pensions	17,110,928	
Deferred inflows of resources related to pensions	(1,960,001)	
Deferred outflows of resources related to OPEB	690,634	
Deferred inflows of resources related to OPEB	<u>(1,424,051)</u>	
		14,417,510

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds.

Net Pension Liability	(56,663,842)	
Net OPEB Liability	(12,639,907)	
Other Amounts	<u>(35,897,929)</u>	
		<u>(105,201,678)</u>

Net Position of Governmental Activities \$2,855,073

See accompanying notes to the basic financial statements.

Sandusky City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$19,575,330	\$0	\$0	\$2,850,638	\$22,425,968
Tuition and Fees	2,063,686	0	0	0	2,063,686
Investment Earnings	0	220,157	180,697	15,687	416,541
Intergovernmental	26,884,175	0	8,470,080	7,044,738	42,398,993
Extracurricular Activities	46,977	0	0	220,053	267,030
Charges for Services	9,283	0	0	90,523	99,806
Revenue in Lieu of Taxes	18,311	0	0	2,179	20,490
Gifts and Donations	0	0	0	340,837	340,837
Other Revenues	543,109	0	0	41,003	584,112
Total Revenues	49,140,871	220,157	8,650,777	10,605,658	68,617,463
Expenditures:					
Current:					
Instruction:					
Regular	22,605,393	0	0	521,586	23,126,979
Special	7,159,103	0	0	2,275,192	9,434,295
Vocational	1,419,649	0	0	92,154	1,511,803
Adult/Continuing	1,117,954	0	0	267,769	1,385,723
Other	9,108	0	0	0	9,108
Support Services:					
Pupil	2,398,433	0	0	345,364	2,743,797
Instructional Staff	1,418,651	0	0	451,660	1,870,311
General Administration	356,839	0	0	0	356,839
School Administration	3,465,451	0	0	55,807	3,521,258
Fiscal	928,439	0	0	53,941	982,380
Business	168,166	0	0	22,049	190,215
Operations and Maintenance	3,240,959	0	0	0	3,240,959
Pupil Transportation	1,675,673	0	0	207,704	1,883,377
Central	632,443	0	0	12,600	645,043
Operation of Non-Instructional Services	87,969	0	0	2,993,973	3,081,942
Extracurricular Activities	1,074,218	0	0	268,943	1,343,161
Capital Outlay	4,038	3,041,957	3,491,867	402,683	6,940,545
Debt Service:					
Principal Retirement	0	0	0	975,000	975,000
Interest and Fiscal Charges	0	0	0	1,550,659	1,550,659
Total Expenditures	47,762,486	3,041,957	3,491,867	10,497,084	64,793,394
Excess of Revenues Over (Under) Expenditures	1,378,385	(2,821,800)	5,158,910	108,574	3,824,069
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	24,468	0	0	0	24,468
Transfers In	0	0	0	110,240	110,240
Transfers (Out)	0	0	0	(110,240)	(110,240)
Total Other Financing Sources (Uses)	24,468	0	0	0	24,468
Changes in Fund Balance	1,402,853	(2,821,800)	5,158,910	108,574	3,848,537
Fund Balance - Beginning of Year	6,335,183	15,484,552	19,824,970	4,033,195	45,677,900
Fund Balance - End of Year	\$7,738,036	\$12,662,752	\$24,983,880	\$4,141,769	\$49,526,437

See accompanying notes to the basic financial statements.

Sandusky City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Funds		\$3,848,537
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.</p>		
Capital assets used in governmental activities	7,218,224	
Depreciation Expense	<u>(546,701)</u>	
		6,671,523
<p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.</p>		
		(150,479)
<p>Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions are reported as pension and OPEB expenses.</p>		
District pension contributions	3,896,754	
Cost of benefits earned net of employee contributions - Pensions	17,696,504	
District OPEB contributions	136,790	
Cost of benefits earned net of employee contributions - OPEB	<u>1,935,246</u>	
		23,665,294
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Delinquent Property Taxes	(157,647)	
Intergovernmental	(63,170)	
Other	<u>(8,370,080)</u>	
		(8,590,897)
<p>Repayment of general obligation bonds and capital lease principal payments is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		975,000
<p>In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.</p>		
		38,471
<p>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.</p>		
Compensated Absences	(229,828)	
Amortization of Bond Premium	<u>10,929</u>	
Compensated Absences		(218,899)
<p>The internal service fund used by management to charge back costs to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
Change in Net Position - Internal Service Funds		<u>(232,857)</u>
Change in Net Position of Governmental Activities		<u>\$26,005,693</u>

See accompanying notes to the basic financial statements.

Sandusky City School District
Statement of Net Position
Proprietary Fund
June 30, 2018

	<u>Governmental Activities- Internal Service Fund</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Investments	\$2,840,828
Receivables (Net):	
Accounts	<u>72,591</u>
Total Assets	<u>2,913,419</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	14,605
Claims Payable	<u>637,331</u>
Total Liabilities	<u>651,936</u>
Net Position:	
Unrestricted	<u>2,261,483</u>
Total Net Position	<u><u>\$2,261,483</u></u>

See accompanying notes to the basic financial statements.

Sandusky City School District
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	<u>Governmental Activities- Internal Service Fund</u>
Operating Revenues:	
Charges for Services	\$6,223,481
Other Revenues	<u>72,313</u>
Total Operating Revenues	<u>6,295,794</u>
Operating Expenses:	
Contactual Services	5,613,790
Materials and Supplies	2,834
Other	<u>922,938</u>
Total Operating Expenses	<u>6,539,562</u>
Operating Income	<u>(243,768)</u>
Non-Operating Revenues:	
Interest	<u>10,911</u>
Total Non-Operating Revenues	<u>10,911</u>
Changes in Fund Net Position	(232,857)
Net Position - Beginning of Year	<u>2,494,340</u>
Net Position - End of Year	<u>\$2,261,483</u>

See accompanying notes to the basic financial statements.

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

	<u>Governmental Activities- Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$6,223,499
Cash Payments to Suppliers	(2,834)
Cash Payments for Claims and Wellness Program	(5,616,273)
Cash Payments for Other Disbursements	<u>(922,938)</u>
Net Cash Provided (Used) by Operating Activities	<u>(318,546)</u>
Cash Flows from Investing Activities:	
Interest	<u>10,911</u>
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>10,911</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(307,635)
Cash and Cash Equivalents - Beginning of Year	<u>3,148,463</u>
Cash and Cash Equivalents - End of Year	<u><u>2,840,828</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(243,768)
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(72,295)
Increase (Decrease) in Payables	12,105
Increase (Decrease) in Claims Payables	<u>(14,588)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$318,546)</u></u>

See accompanying notes to the basic financial statements.

Sandusky City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$9,775,379	\$127,679
Receivables (Net):		
Taxes	0	640,152
Interest	17,967	0
	<u> </u>	<u> </u>
Total Assets	<u>9,793,346</u>	<u>767,831</u>
Liabilities:		
Accounts Payable	0	1,511
Other Liabilities	0	766,320
	<u> </u>	<u> </u>
Total Liabilities	<u>0</u>	<u>\$767,831</u>
Net Position:		
Held in Trust	<u>9,793,346</u>	
Total Net Position	<u>\$9,793,346</u>	

See accompanying notes to the basic financial statements.

Sandusky City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions:	
Investment Earnings	\$588,410
Other	<u>66,762</u>
Total Additions	<u>655,172</u>
Deductions:	
Scholarships	<u>143,378</u>
Total Deductions	<u>143,378</u>
Changes in Fiduciary Net Position	511,794
Net Position - Beginning of Year	<u>9,281,552</u>
Net Position - End of Year	<u><u>\$9,793,346</u></u>

See accompanying notes to the basic financial statements.

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Note 1 - Description of the School District

The Sandusky City School District (the "District") is located in northern Erie County and is within the corporate boundaries of the City of Sandusky, which lies on the shores of Sandusky Bay and Lake Erie. The District serves an area of approximately 15 square miles.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 128th largest by total enrollment among the 612 public school districts in the State. It currently operates 2 pre K-6 elementary schools, 3 K-6 elementary schools, 1 middle school and 1 comprehensive high school. The District employs 174 non-certified employees, 273 certified employees, 7 full-time adult education instructors and 30 administrators, to provide services to approximately 3,754 students in grades pre-K through 12, 160 adult education students and various community groups.

Note 2 - Summary of Significant Accounting Policies

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

Reporting Entity

The reporting entity has been defined in accordance with the appropriate GASB Statement. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

The following organizations are described due to their relationship to the District:

Jointly Governed Organization

Northern Ohio Educational Computer Association (NOECA) – The District participated in NOECA, a computer consortium. NOECA is an association made up of various public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of representatives from each county in which participating school districts are located, the chairman of each of the operating committees and a representative from the fiscal agent. Financial information can be obtained from the Director, 219 Howard Drive, Sandusky, Ohio 44870.

Related Organization

Sandusky Library Association – The Sandusky Library Association is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Sandusky Library Association at 114 W. Adams Street, Sandusky, Ohio 44870.

Public Entity Risk Pool

Workers' Compensation – The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school district pays an enrollment fee to the GRP to cover the costs of administering the program.

Fund Accounting

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

Governmental Funds

Governmental funds focus 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, and liabilities and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund - A fund used to account for the receipts and expenditures related to all special bond funds in the district. All proceeds from the sale of bonds, notes, or certificates or indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Classroom Facilities Fund - A fund provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service fund of the District accounts for a self-insurance program which provides medical, dental and vision benefits to employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has two trust funds; a private purpose trust fund which accounts for scholarship programs for students and an endowment fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for student activities and for the fiscal agent activity of the Sandusky Library Association.

Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation.

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and deferred inflow of resources and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the proprietary fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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 on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows / Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources includes pension and other post employment benefits. These amounts are reported on the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, OPEB, grants and other taxes (which includes tax incremental financing 'TIF'), OFCC Capital Construction, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Other taxes (TIFs) have been recorded as deferred inflows on both the government-wide statement of net

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

position and the governmental fund financial statements. Grants and OFCC Capital Construction have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position, see Notes 11 and 12 for explanation.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

Equity in Pooled Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2018 amounted to \$0 and \$416,541 was credited to Other Governmental Funds.

While common stock is not an allowable investment according to Ohio Statute, the District has been endowed with gifts of stock to its private-purpose trust fund. No public funds were used to acquire the stock. At the time the common stock was endowed to the District its value was \$3,882,450. The amount of common stock available for expenditure is reported in net position available in trust for scholarships on the statement of fiduciary net position. A committee has been created to authorize the spending of the investment income.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

Capital Assets

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

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

incurred during the construction of capital assets is also capitalized. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

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 (with an estimated 10% salvage value):

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	25 years
Buildings & Improvements	25 - 100 years
Furniture & Equipment	3 - 20 years
Vehicles	5 - 15 years

Prepaid Items

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

Interfund Activity

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

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

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

Compensated Absences

Compensated absences of the District consist of vacation leave and sick liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee. Sick leave benefits are accrued as a liability using the vesting method.

In accordance with the provisions of GASB Statement No. 16 “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

liability for Certified staff sick leave is based on a policy whereby an employee who was hired prior to July 1, 1989 is compensated upon retirement for the greater of (1) sixty five (65) days of sick leave pay regardless of the employee's sick leave balance, or (2) 25% of accrued but unused sick leave up to a maximum of 75 days, plus 10% of all unused sick leave over 300 days. Employees hired on or after July 1, 1989 are eligible for sick leave pay only as in (2) above. A liability for Classified staff sick leave is based on a policy whereby 25% of accrued but unused sick leave up to a maximum of 75 days, plus 10% of all unused sick leave over 300 days is compensated. This liability exists for employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future and is reported as a component of "future retirement obligation" in the basic financial statements.

The District has entered into a First Opportunity Retirement Incentive (FORI) whereby, upon election, a Classified employee reaching their first year of retirement eligibility (with a minimum age of 60 years or 30 or more years of service with a minimum of five (5) years in district employment) is entitled to receive an additional 30 days of sick leave pay or 12% of their unused sick leave balance, whichever is greater. A Certified employee reaching their first year of retirement eligibility (with a minimum age of 65 years or 30 or more years of service with a minimum of five (5) years in district employment) is entitled to receive an additional 30 days of sick leave pay or 12% of their unused sick leave balance, whichever is greater. The corresponding liability for the FORI has been recorded for employees who have elected to retire under the terms of the FORI and is reported as a component of "future retirement obligation" in the governmental fund balance sheet and as a component of long-term liabilities in the statement of net position. Amounts for FORI represent liabilities at June 30, 2018 on the fund financial statements.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2018 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the 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 following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that can be used only for the specific purposes imposed by a formal action (board resolution) of the District's Board of Education. The Board of Education is the highest level of decision making authority for the District. Those committed resources cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action (board resolution) it employed to previously commit those resources.

Assigned – resources intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts are intended to be used for specific purposes as approved through the District's formal purchase order procedure by the Superintendent and the Treasurer. The adoption of the board appropriation resolution is the established policy, which gives the authorization to assign resources for a specific purpose.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

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

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents the amount restricted for auxiliary service funds established to support District programs.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$41,346,946 in restricted net position, none were restricted by enabling legislation.

Parochial Schools

Within the District boundaries, St. Mary's, Saints Peter and Paul and Holy Angels Elementary Schools and St. Mary's Central Catholic High School are operated through the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial school. These activities are reported as a governmental activity of the District.

Estimates

The preparation of the financial statements in conformity with GAAP 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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating.

Note 3 - Accountability

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Fund</u>	<u>Deficit</u>
Other Governmental Funds:	
Public School Preschool	\$22,853
Title VI B	84,663
Vocational Education	5
Title 1	173,907
Improving Teacher Quality	3,706
Title 1 School Improvement	8,570
Miscellaneous Federal Grant	114
Title III Limited English Proficiency	315

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

Note 4 – Equity in Pooled Cash and Investments

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

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

Inactive deposits are 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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

7. Certain banker's acceptance for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, \$30,820,466 of the District's bank balance of \$31,338,072 was exposed to custodial credit risk.

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

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

This Space Intentionally Left Blank

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Investments

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

	<u>Measurement Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
NAV:			
Money Market Funds	1,822,498	N/A	0.00
Fair Value:			
Negotiable CDs	\$4,883,338	Level 2	1.22
Stock	5,307,288	Level 1	0.00
Federal Home Loan Banks	7,051,257	Level 2	0.89
Commercial Paper	10,806,141	Level 2	0.18
Federal National Mortgage Association	1,831,627	Level 2	1.23
Federal Home Loan Mortgage	1,508,106	Level 2	0.92
Federal Farm Credit Banks	1,228,673	Level 2	0.56
U.S. Treasury Note	1,845,348	Level 1	0.39
	<u>\$36,284,276</u>		
Portfolio Weighted Average Maturity			0.53

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

Interest Rate Risk: The Ohio Revised Code general limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

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

Credit Risk: The District's stocks were rated ranging from AA- to D, Aa3 to C and AA to C by Standard & Poor's, Moody's Investor Services and Fitch Ratings, respectively. The District's corporate bonds were rated BB- and CCC by Moody's Investor Services and were rated Ba2 and Ca by Standard & Poor's.

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

The District’s investments in Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage, Federal Farm Credit Banks, and U.S. Treasury Notes were rated AAA by Standard & Poor’s and Aaa by Moody’s Investor Services. The District’s investments in Commercial Paper was rated A-1+ by Standard & Poor’s ratings and P-1 by Moody’s Investment Service. Negotiable CDs and Money Market Funds were not rated.

Concentration of Credit Risk: The District’s investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The District had invested 13.5% in Negotiable CDs, 5% in Money Market Funds, 14.6% in Stock, 19.4% in Federal Home Loan Banks, 29.8% in Commercial Paper, 5% in Federal National Mortgage Association, 4.2% Federal Home Loan Mortgage, 3.4% in Federal Farm Credit Banks, and 5.1% in U.S. Treasury Notes.

Note 5 - Interfund Transactions

Interfund transactions at June 30, 2018, consisted of the following transfers in and transfers out, and interfund payables and receivables:

	Transfers		Interfund	
	In	Out	Receivable	Payable
General Fund	\$0	\$0	\$179,142	\$0
Other Governmental Funds	110,240	110,240	0	179,142
Total All Funds	<u>\$110,240</u>	<u>\$110,240</u>	<u>\$179,142</u>	<u>\$179,142</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed. The District transferred \$110,240 from the classroom facilities maintenance fund to the permanent improvement fund as authorized by the Ohio Office of the Tax Commissioner.

Note 6 - Property Taxes

Real property taxes collected in 2018 were levied after April 1, 2017 on the assessed values as of January 1, 2017, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year. The most recent re-evaluation was completed in 2016.

Public utility personal property taxes received in calendar year 2018 were levied after April 1, 2017, on the value as of December 31, 2016. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Real property taxes are payable annually or semi-annually. In 2018, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

The District receives property taxes from Erie County. The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2018. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2018 on the fund statements. The entire amount of delinquent taxes receivable is recognized as a revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2018, was \$2,225,839 for General Fund and \$346,497 for Other Governmental Funds and is recognized as revenue.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$434,460,840
Public Utility Personal	<u>27,260,930</u>
Total	<u><u>\$461,721,770</u></u>

Note 7 – Receivables

Receivables at June 30, 2018 consisted of taxes, accounts, intergovernmental, and interfund are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds, with the possible exception of accounts receivable related to the District's adult education services.

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

This Space Intentionally Left Blank

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Note 8 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$2,639,184	\$385,038	\$0	\$3,024,222
Construction in Progress	0	6,533,824	0	6,533,824
Subtotal Non-Depreciable Assets	2,639,184	6,918,862	0	9,558,046
<i>Capital Assets, being depreciated:</i>				
Land Improvements	393,047	0	0	393,047
Buildings & Improvements	16,027,864	0	618,815	15,409,049
Furniture & Equipment	3,388,011	89,248	410,684	3,066,575
Vehicles	2,652,427	210,114	142,729	2,719,812
Subtotal Depreciable Assets	22,461,349	299,362	1,172,228	21,588,483
Totals at Historical Cost	25,100,533	7,218,224	1,172,228	31,146,529
Less Accumulated Depreciation:				
Land Improvements	195,844	16,174	0	212,018
Buildings & Improvements	10,250,186	234,887	521,645	9,963,428
Furniture & Equipment	2,377,617	136,480	371,157	2,142,940
Vehicles	1,649,061	159,160	128,947	1,679,274
Total Accumulated Depreciation	14,472,708	546,701	1,021,749	13,997,660
Governmental Activities Capital Assets, Net	\$10,627,825	\$6,671,523	\$150,479	\$17,148,869

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$288,768
Special	9,063
Vocational	7,078
Adult	585
Support Services:	
School Administration	13,690
Fiscal	447
Operations and Maintenance	30,345
Pupil Transportation	116,403
Central	38,948
Operation of Non-Instructional Services	28,053
Extracurricular Activities	13,321
Total Depreciation Expense	\$546,701

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Note 9 - Long-Term Obligations

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

	Restated Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:					
Bonds Payable:					
Classroom Facilities Bonds Series 2017-1	\$24,935,000	\$0	\$875,000	\$24,060,000	\$340,000
Classroom Facilities Bonds Premium Series 2017-1	2,020,372	0	9,931	2,010,441	0
Classroom Facilities Bonds Series 2017-2	9,215,000	0	100,000	9,115,000	5,000
Classroom Facilities Bonds Premium Series 2017-2	713,486	0	998	712,488	0
Subtotal Bonds	<u>36,883,858</u>	<u>0</u>	<u>985,929</u>	<u>35,897,929</u>	<u>345,000</u>
Compensated Absences	3,374,321	807,872	583,725	3,598,468	586,807
Subtotals Bonds & Other Amounts	<u>40,258,179</u>	<u>807,872</u>	<u>1,569,654</u>	<u>39,496,397</u>	<u>931,807</u>
Net Pension Liability:					
STRS	63,510,061	0	18,316,075	45,193,986	0
SERS	13,732,572	0	2,262,716	11,469,856	0
Subtotal Net Pension Liability	<u>77,242,633</u>	<u>0</u>	<u>20,578,791</u>	<u>56,663,842</u>	<u>0</u>
Net OPEB Liability:					
STRS	10,147,083	0	2,724,281	7,422,802	0
SERS	5,402,334	0	185,229	5,217,105	0
Subtotal Net OPEB Liability	<u>15,549,417</u>	<u>0</u>	<u>2,909,510</u>	<u>12,639,907</u>	<u>0</u>
Total Long-Term Obligations	<u><u>\$133,050,229</u></u>	<u><u>\$807,872</u></u>	<u><u>\$25,057,955</u></u>	<u><u>\$108,800,146</u></u>	<u><u>\$931,807</u></u>

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

Compensated absences and the future retirement obligation will be paid from the fund from which the employee is paid. The payments will be made from the general fund and various other governmental funds.

Classroom Facilities Bonds - Series 2017-1 Classroom Facilities general obligation bonds were issued for \$24,935,000 on May 9, 2017 and bear an average interest rate of 3.5%. The bonds purpose is for constructing, furnishing and equipping new elementary school buildings and otherwise constructing, adding to, renovating, remodeling, furnishing, equipping and improving school district buildings and facilities and acquiring, clearing, improving and equipping their sites. The bonds mature on November 1, 2050. Principal and interest are paid from the debt service and building funds.

Classroom Facilities Bonds – Series 2017-2 Classroom Facilities general obligation bonds were issued for \$9,215,000 on May 9, 2017 and bear an average interest rate of 3.0%. The bonds purpose is for constructing, furnishing and equipping new elementary school buildings and otherwise constructing, adding to, renovating, remodeling, furnishing, equipping and improving school district buildings and facilities and acquiring, clearing, improving and equipping their sites. The bonds mature on November 1, 2037. Principal and interest are paid from the debt service fund.

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

The following is a summary of the District's future annual debt service requirements to maturity for bonds:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2019	\$345,000	\$1,504,826	\$1,849,826
2020	355,000	1,494,275	1,849,275
2021	365,000	1,483,525	1,848,525
2022	375,000	1,475,613	1,850,613
2023	390,000	1,465,525	1,855,525
2024-2028	2,300,000	7,115,962	9,415,962
2029-2033	3,165,000	6,584,275	9,749,275
2034-2038	4,480,000	5,821,875	10,301,875
2039-2043	6,280,000	4,608,500	10,888,500
2044-2048	8,610,000	2,755,500	11,365,500
2049-2051	6,510,000	498,750	7,008,750
Total	<u>\$33,175,000</u>	<u>\$34,808,626</u>	<u>\$67,983,626</u>

Note 10 - Risk Management

Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2018, the District has contracted with Indiana Insurance Company to provide insurance coverage in the amounts below.

<u>Limits of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability		
Each Occurrence	\$1,000,000	\$2,500
Aggregate	2,000,000	0
Fleet:		
Comprehensive/Collision	1,000,000	1,000
Umbrella Liability and Fleet	3,000,000	10,000
Buildings and Contents	107,890,481	10,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior fiscal year.

Health Benefits

The District has established a risk management fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the risk management fund provides coverage for up to a

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

maximum of \$175,000 for each health benefits claim. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services).

The claims liability of \$637,331 reported in the basic financial statements at June 30, 2018, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The claims liability is expected to be paid in the next fiscal year. Changes in claims activity for the current and previous fiscal years are as follows:

	Beginning Balance	Current Year Claims	Claims Payments	Balance End of Year
2018	\$651,919	5,527,184	5,541,772	\$637,331
2017	\$657,195	5,223,997	5,229,273	\$651,919

Workers’ Compensation Rating Program

The District participates in the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan (GRP), a public entity risk pool (Note 2). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers’ compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the employer’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-

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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 obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions are financed; however, the employer 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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.20% for the first thirty years of service and 2.50% for years of service

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

Post-Retirement Increases – Before January 1, 2018; on each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit. On or after January 1, 2018; on each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLA's shall be suspended for calendar years 2018, 2019, and 2020.

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

The contractually required contribution to SERS was \$883,926 for fiscal year 2018. Of this amount \$187,485 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – 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 is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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% of the 14% member rate goes to the DC Plan and the remaining 2% 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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The employer was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was \$3,012,828 for fiscal year 2018. Of this amount \$505,488 is reported as accrued wages and benefits.

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

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

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$11,469,856	\$45,193,986	\$56,663,842
Proportion of the Net Pension Liability:			
Current Measurement Date	0.19197120%	0.19024870%	
Prior Measurement Date	0.18762710%	0.18973511%	
Change in Proportionate Share	0.00434410%	0.00051359%	
Pension Expense	(\$303,094)	(\$17,393,410)	(\$17,696,504)

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

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$493,622	\$1,745,180	\$2,238,802
Changes of assumptions	593,115	9,884,421	10,477,536
Changes in employer proportionate share of net pension liability	277,980	219,856	497,836
Contributions subsequent to the measurement date	883,926	3,012,828	3,896,754
Total Deferred Outflows of Resources	<u>\$2,248,643</u>	<u>\$14,862,285</u>	<u>\$17,110,928</u>
Differences between expected and actual experience	\$0	\$364,246	\$364,246
Net difference between projected and actual earnings on pension plan investments	54,445	1,491,454	1,545,899
Changes in employer proportionate share of net pension liability	0	49,856	49,856
Total Deferred Inflows of Resources	<u>\$54,445</u>	<u>\$1,905,556</u>	<u>\$1,960,001</u>

\$3,896,754 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$567,213	\$2,072,360	\$2,639,573
2020	784,150	4,134,351	4,918,501
2021	226,296	2,947,673	3,173,969
2022	(267,386)	789,516	522,130
Total	<u>\$1,310,273</u>	<u>\$9,943,900</u>	<u>\$11,254,173</u>

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015

Prior to 2017, an assumption of 3.0% was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.50%, or one percentage point higher 8.50% than the current rate.

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$15,917,178	\$11,469,856	\$7,744,315

Changes in Benefit Terms

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1 2013, or later, 2% COLA commences on fifth anniversary of retirement date.

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

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

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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

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

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table represents the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45% or one percentage point higher 8.45% than the current assumption:

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

	1% Decrease <u>6.45%</u>	Current Discount Rate <u>7.45%</u>	1% Increase <u>8.45%</u>
Proportionate share of the net pension liability	\$64,784,042	\$45,193,986	\$28,692,301

Changes in Assumptions

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

Changes in Benefit Terms

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

Note 12 – Defined Benefit Other Postemployment Benefits (OPEB) Plans

Net Other Postemployment Benefits (OPEB) Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at year-end is included in accrued wages and benefits on the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was \$104,052.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$136,790 for fiscal year 2018. Of this amount \$104,052 is reported as accrued wages and benefits.

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	\$5,217,105	\$7,422,802	\$12,639,907
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.19439700%	0.19024870%	
Prior Measurement Date	0.18953099%	0.18973511%	
Change in Proportionate Share	<u>0.00486601%</u>	<u>0.00051359%</u>	
OPEB Expense	\$325,870	(\$2,261,116)	(\$1,935,246)

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

This Space Intentionally Left Blank

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$428,490	\$428,490
Changes in employer proportionate share of net pension liability	101,811	23,543	125,354
Contributions subsequent to the measurement date	136,790	0	136,790
Total Deferred Outflows of Resources	\$238,601	\$452,033	\$690,634
Deferred Inflows of Resources			
Changes of assumptions	\$495,076	\$597,930	\$1,093,006
Net difference between projected and actual earnings on pension plan investments	13,777	317,268	331,045
Total Deferred Inflows of Resources	\$508,853	\$915,198	\$1,424,051

\$136,790 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	(\$145,932)	(\$103,633)	(\$249,565)
2020	(145,932)	(103,633)	(249,565)
2021	(111,735)	(103,633)	(215,368)
2022	(3,444)	(103,633)	(107,077)
2023	0	(24,316)	(24,316)
Thereafter	0	(24,316)	(24,316)
Total	(\$407,043)	(\$463,164)	(\$870,207)

Actuarial Assumptions - SERS

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

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

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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

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

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

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

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

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

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	\$6,300,318	\$5,217,105	\$4,358,923

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	\$4,233,290	\$5,217,105	\$6,519,201

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Actuarial Assumptions - STRS

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

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017
Blended Discount Rate of Return	4.13%
Health Care Cost Trends	6.00% to 11.00% initial, 4.5% ultimate

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

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

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

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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

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

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	\$9,964,993	\$7,422,802	\$5,413,641

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$5,157,045	\$7,422,802	\$10,404,804

Changes in Assumptions – STRS

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

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

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Note 13 – Contingencies

School District Funding

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

Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

Litigation

The District is party to legal proceedings, but management believes that any liability not covered by insurance would be immaterial to the District.

Note 14 - Statutory Reserves

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2018, the reserve activity was as follows:

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2017	\$0
Current Year Set Aside Requirements	552,695
Qualified Disbursements	(167,408)
Current Year Offsets	<u>(385,287)</u>
Set Aside Reserve Balance as of June 30, 2018	<u>0</u>
Restricted Cash as of June 30, 2018	<u>\$0</u>

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

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Note 15 – Fund Balances

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

Fund Balances	General	Building	Classroom Facilities	Other Governmental Funds	Total
Nonspendable:					
Prepays	\$4,671	\$0	\$0	\$594	\$5,265
Perpetual Care	0	0	0	10,000	10,000
Total Nonspendable	4,671	0	0	10,594	15,265
Restricted for:					
Basic Educational Opportunity Grant	0	0	0	8,915	8,915
Other Grants	0	0	0	262,441	262,441
Special Trust	0	0	0	152,324	152,324
District Managed Student Activity	0	0	0	177,648	177,648
Classroom Facilities	0	0	24,983,880	0	24,983,880
Education Foundation	0	0	0	149,690	149,690
Able/Job Grant	0	0	0	8,412	8,412
Auxiliary Services	0	0	0	106,312	106,312
Building	0	12,662,752	0	0	12,662,752
Adult Basic Education	0	0	0	11,487	11,487
Classroom Maintenance	0	0	0	300,501	300,501
Food Service	0	0	0	826,545	826,545
Debt Service	0	0	0	1,505,808	1,505,808
Permanent Improvement	0	0	0	732,304	732,304
Permanent	0	0	0	156,726	156,726
Total Restricted	0	12,662,752	24,983,880	4,399,113	42,045,745
Assigned to:					
Public Schools	81,608	0	0	0	81,608
Replacement	0	0	0	26,673	26,673
Encumbrances	38,939	0	0	0	38,939
Total Assigned	120,547	0	0	26,673	147,220
Unassigned (Deficit)	7,612,818	0	0	(294,611)	7,318,207
Total Fund Balance	\$7,738,036	\$12,662,752	\$24,983,880	\$4,141,769	\$49,526,437

Encumbrances (assigned) will be used for \$20,248 for instruction, \$17,523 for support services and \$1,168 for capital improvements throughout the District.

This Space Intentionally Left Blank

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Note 16 – Construction and other Commitments

Construction Commitments

At year end, the District’s construction commitments were as follows:

<u>Vendor</u>	<u>Contract Type</u>	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Remaining Commitment</u>
Gilbane	Construction Manager/LFI Summer Work	\$5,979,429	\$4,134,965	\$1,844,464
Osborne Engineering	Engineering/Design	150,705	39,183	\$111,522
Lesko Associates, Inc.	Architect/Design	4,447,996	2,403,364	\$2,044,632
	Total	\$10,578,130	\$6,577,512	\$4,000,618

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

Other Commitments

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

<u>Description</u>	<u>Remaining Commitment</u>
General	\$423,457
Other Governmental - Permanent Improvement	142,837
All Other Governmental	8,747,498

Note 17 – Tax Abatements entered Into By Other Governments

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) and Enterprise Zone Agreement (“EZA”) programs with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. The EZA program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in the community. Within the taxing districts of the District, The City of Sandusky has entered into CRA and EZA agreements. Under these agreements the District’s property taxes were reduced by \$797,543 in 2018. None of these agreements are individually significant to require disclosure individually.

Note 18 – Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended June 30, 2018, the District has implemented GASB Statement No. 81, Irrevocable Split-Interest Agreements, GASB Statement No. 82, Pensions Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73, and GASB No. 86, Certain Debt Extinguishment Issues, and GASB Statement No. 85, Omnibus 2017, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

GASB Statement No. 81 sets out to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The implementation of GASB Statement No. 82 was included in the footnote disclosures for 2018.

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

GASB Statement No. 86 sets out to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. One of the criteria for determining an in-

Sandusky City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net position June 30, 2017	(\$7,705,260)
Adjustments:	
Net OPEB Liabililty	(15,549,417)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>104,057</u>
Restated Net Position June 30, 2017	<u><u>(\$23,150,620)</u></u>

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

This Space Intentionally Left Blank

REQUIRED SUPPLEMENTARY INFORMATION

Sandusky City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.19024870%	0.18973511%	0.18915164%	0.18958761%	0.18958761%
District's Proportionate Share of the Net Pension Liability	\$45,193,986	\$63,510,061	\$52,275,981	\$46,114,268	\$54,783,081
District's Covered-Employee Payroll	\$21,212,829	\$20,499,943	\$20,033,743	\$20,860,662	\$20,954,031
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	213.05%	309.81%	260.94%	221.06%	261.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.19197120%	0.187627%	0.185048%	0.184211%	0.184211%
District's Proportionate Share of the Net Pension Liability	\$11,469,856	\$13,732,572	\$10,559,041	\$9,322,814	\$10,957,722
District's Covered-Employee Payroll	\$6,432,664	\$6,591,600	\$6,815,053	\$5,406,883	\$6,396,590
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	178.31%	208.33%	154.94%	172.42%	171.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Sandusky City School District
 Required Supplementary Information
 Schedule of District Contributions
 for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$3,012,828	\$2,969,796	\$2,869,992	\$2,804,724	\$2,711,886	\$2,724,024	\$3,134,760	\$3,236,004	\$2,943,444	\$3,056,412
Contributions in Relation to the Contractually Required Contribution	(3,012,828)	(2,969,796)	(2,869,992)	(2,804,724)	(2,711,886)	(2,724,024)	(3,134,760)	(3,236,004)	(2,943,444)	(3,056,412)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$21,520,200	\$21,212,829	\$20,499,943	\$20,033,743	\$20,860,662	\$20,954,031	\$24,113,538	\$24,892,338	\$22,641,877	\$23,510,862
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

Sandusky City School District
 Required Supplementary Information
 Schedule of District Contributions
 for Net Pension Liability
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$883,926	\$900,573	\$922,824	\$898,224	\$749,394	\$885,288	\$852,576	\$874,680	\$820,836	\$779,772
Contributions in Relation to the Contractually Required Contribution	(883,926)	(900,573)	(922,824)	(898,224)	(749,394)	(885,288)	(852,576)	(874,680)	(820,836)	(779,772)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$6,547,600	\$6,432,664	\$6,591,600	\$6,815,053	\$5,406,883	\$6,396,590	\$6,338,855	\$6,958,473	\$6,062,304	\$7,924,512
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information.

Sandusky City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2018	2017
District's Proportion of the Net OPEB Liability	0.19024870%	0.18973511%
District's Proportionate Share of the Net OPEB Liability	\$7,422,802	\$10,147,083
District's Covered-Employee Payroll	\$21,212,829	\$20,499,943
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	34.99%	49.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Sandusky City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	2018	2017
District's Proportion of the Net OPEB Liability	0.19439700%	0.18953099%
District's Proportionate Share of the Net OPEB Liability	\$5,217,105	\$5,402,334
District's Covered-Employee Payroll	\$6,432,664	\$6,591,600
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	81.10%	81.96%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Sandusky City School District
 Required Supplementary Information
 Schedule of District Contributions to
 Postemployment Benefits Other Than Pension (OPEB)
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$21,520,200	\$21,212,829	\$20,499,943
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Sandusky City School District
 Required Supplementary Information
 Schedule of District Contributions to
 Postemployment Benefits Other Than Pension (OPEB)
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB (2)	\$136,790	\$104,057	\$93,289
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(136,790)</u>	<u>(104,057)</u>	<u>(93,289)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$6,547,600	\$6,432,664	\$6,591,600
Contributions to OPEB as a Percentage of Covered-Employee Payroll	2.09%	1.62%	1.42%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$19,255,711	\$19,940,238	\$19,940,020	(\$218)
Revenue in lieu of taxes	17,683	18,311	18,311	0
Tuition and Fees	1,153,782	1,194,798	1,194,785	(13)
Investment Earnings	70,305	72,804	72,803	(1)
Intergovernmental	25,969,490	26,892,687	26,892,393	(294)
Charges for Services	8,964	9,283	9,283	0
Other Revenues	248,164	256,986	256,983	(3)
Total Revenues	46,724,099	48,385,107	48,384,578	(529)
Expenditures:				
Current:				
Instruction:				
Regular	21,881,443	22,754,554	22,658,573	95,981
Special	7,078,700	7,361,154	7,330,104	31,050
Vocational	1,407,673	1,463,842	1,457,667	6,175
Other	4,006	4,166	4,148	18
Support Services:				
Pupil	2,251,910	2,341,766	2,331,888	9,878
Instructional Staff	1,341,491	1,395,019	1,389,135	5,884
General Administration	292,791	304,474	303,190	1,284
School Administration	3,150,323	3,276,027	3,262,208	13,819
Fiscal	909,133	945,409	941,421	3,988
Business	160,870	167,289	166,583	706
Operations and Maintenance	3,263,177	3,393,384	3,379,070	14,314
Pupil Transportation	1,657,340	1,723,471	1,716,201	7,270
Central	622,402	647,237	644,507	2,730
Operation of Non-Instructional Services	96,396	100,243	99,820	423
Extracurricular Activities	953,401	991,443	987,261	4,182
Capital Outlay	3,565	3,708	3,692	16
Total Expenditures	45,074,621	46,873,186	46,675,468	197,718
Excess of Revenues Over (Under) Expenditures	1,649,478	1,511,921	1,709,110	197,189
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	23,628	24,468	24,468	0
Advances In	30,597	31,684	31,684	0
Advances (Out)	(392,350)	(408,006)	(406,285)	1,721
Total Other Financing Sources (Uses)	(338,125)	(351,854)	(350,133)	1,721
Changes in Fund Balance	1,311,353	1,160,067	1,358,977	198,910
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	8,663,025	8,663,025	8,663,025	0
Fund Balance - End of Year	\$9,974,378	\$9,823,092	\$10,022,002	\$198,910

See accompanying notes to the required supplementary information.

Sandusky City School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2018

Note 1 - Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. During the course of fiscal year 2018, the District amended its budget at several times, however none were significant.

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 on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2018.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not appropriated.

While the 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 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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 for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).

Sandusky City School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2018

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

Net Change in Fund Balance	
	General
GAAP Basis	\$1,402,853
Revenue Accruals	(756,293)
Expenditure Accruals	1,482,724
Advances In	31,684
Advances (Out)	(406,285)
Encumbrances	(395,706)
Budget Basis	\$1,358,977

Note 2 - SERS Change in Assumptions-Net Pension Liability

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Note 3 - STRS Change in Assumptions and Benefit Terms-Net Pension Liability

Changes in Assumptions

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

Changes in Benefit Terms

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

Note 4 - SERS Change in Assumptions-Net OPEB Liability

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

Sandusky City School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2018

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Note 5 - STRS Change in Assumptions-Net OPEB Liability

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

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

This Space Intentionally Left Blank

COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES

MAJOR GOVERNMENTAL FUNDS

Building Fund

A fund used to account for the receipts and expenditures related to all specific bond funds in the district. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Classroom Facilities Fund

A fund provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

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

	Building Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$3,158	\$220,157	\$216,999
Total Revenues	3,158	220,157	216,999
Expenditures:			
Capital Outlay	6,454,931	5,789,499	665,432
Total Expenditures	6,454,931	5,789,499	665,432
Changes in Fund Balance	(6,451,773)	(5,569,342)	882,431
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	15,484,552	15,484,552	0
Fund Balance - End of Year	\$9,032,779	\$9,915,210	\$882,431

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

	Classroom Facilities Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$177,183	\$180,697	\$3,514
Intergovernmental	8,305,380	8,470,080	164,700
Total Revenues	8,482,563	8,650,777	168,214
Expenditures:			
Current:			
Capital Outlay	7,111,065	7,111,064	1
Total Expenditures	7,111,065	7,111,064	1
Changes in Fund Balance	1,371,498	1,539,713	168,215
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	19,824,969	19,824,969	0
Fund Balance - End of Year	\$21,196,467	\$21,364,682	\$168,215

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service fund. The District has only one Debt Service Fund for fiscal year 2018.

Capital Projects Funds

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Fund

The Permanent fund should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for the purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. The Permanent fund does not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments. The District has only one Permanent Fund for fiscal year 2018.

Sandusky City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Other (Nonmajor) Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$2,186,358	\$1,291,706	\$671,530	\$166,726	\$4,316,320
Receivables (Net):					
Taxes	213,899	1,728,306	858,703	0	2,800,908
Accounts	125,464	0	0	0	125,464
Intergovernmental	1,002,832	0	0	0	1,002,832
Prepaid Assets	594	0	0	0	594
Inventory	35,122	0	0	0	35,122
Total Assets	3,564,269	3,020,012	1,530,233	166,726	8,281,240
Liabilities:					
Accounts Payable	111,790	0	18,450	0	130,240
Accrued Wages and Benefits	678,475	0	0	0	678,475
Interfund Payable	179,142	0	0	0	179,142
Total Liabilities	969,407	0	18,450	0	987,857
Deferred Inflows of Resources:					
Property Taxes	187,401	1,514,204	752,806	0	2,454,411
Grants and Other Taxes	697,203	0	0	0	697,203
Total Deferred Inflows of Resources	884,604	1,514,204	752,806	0	3,151,614
Fund Balances:					
Nonspendable	594	0	0	10,000	10,594
Restricted	2,004,275	1,505,808	732,304	156,726	4,399,113
Assigned	0	0	26,673	0	26,673
Unassigned (Deficit)	(294,611)	0	0	0	(294,611)
Total Fund Balances	1,710,258	1,505,808	758,977	166,726	4,141,769
Total Liabilities, Deferred Inflows and Fund Balances	\$3,564,269	\$3,020,012	\$1,530,233	\$166,726	\$8,281,240

Sandusky City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Other (Nonmajor) Governmental Funds
Revenues:					
Property and Other Taxes	\$220,780	\$1,783,863	\$845,995	\$0	\$2,850,638
Investment Earnings	8,656	3,694	0	3,337	15,687
Intergovernmental	6,890,365	56,855	97,518	0	7,044,738
Extracurricular Activities	220,053	0	0	0	220,053
Charges for Services	90,523	0	0	0	90,523
Revenue in Lieu of Taxes	167	1,349	663	0	2,179
Gifts and Donations	334,903	0	0	5,934	340,837
Other Revenues	40,469	534	0	0	41,003
Total Revenues	7,805,916	1,846,295	944,176	9,271	10,605,658
Expenditures:					
Current:					
Instruction:					
Regular	268,024	0	253,562	0	521,586
Special	2,274,514	0	678	0	2,275,192
Vocational	92,154	0	0	0	92,154
Adult/Continuing	267,769	0	0	0	267,769
Support Services:					
Pupil	345,364	0	0	0	345,364
Instructional Staff	451,660	0	0	0	451,660
School Administration	55,807	0	0	0	55,807
Fiscal	4,127	33,347	16,467	0	53,941
Business	22,049	0	0	0	22,049
Pupil Transportation	2,390	0	205,314	0	207,704
Central	12,600	0	0	0	12,600
Operation of Non-Instructional Services	2,993,973	0	0	0	2,993,973
Extracurricular Activities	268,943	0	0	0	268,943
Capital Outlay	0	0	402,683	0	402,683
Debt Service:					
Principal Retirement	0	975,000	0	0	975,000
Interest and Fiscal Charges	0	1,550,659	0	0	1,550,659
Total Expenditures	7,059,374	2,559,006	878,704	0	10,497,084
Excess of Revenues Over (Under) Expenditures	746,542	(712,711)	65,472	9,271	108,574
Other Financing Sources (Uses):					
Transfers In	0	0	110,240	0	110,240
Transfers (Out)	(110,240)	0	0	0	(110,240)
Total Other Financing Sources (Uses)	(110,240)	0	110,240	0	0
Changes in Fund Balance	636,302	(712,711)	175,712	9,271	108,574
Fund Balance - Beginning of Year	1,073,956	2,218,519	583,265	157,455	4,033,195
Fund Balance - End of Year	\$1,710,258	\$1,505,808	\$758,977	\$166,726	\$4,141,769

THIS PAGE INTENTIONALLY LEFT BLANK

NONMAJOR SPECIAL REVENUE FUNDS

Fund Descriptions

Adult Education - The adult education is used to account for educational opportunities offered on a tuition basis to adults living within the community. This fund is split between a special revenue fund and the general fund for GAAP reporting purposes. The special revenue portion only accounts for grant monies the District received and spent during the fiscal year and is included in the Nonmajor Special Revenue Funds - Combining Balance Sheet and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance. The Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) is shown combined (not split between the special revenue fund and general fund) and is included in the Other General Funds section.

Other Grants - A fund used to account for the proceeds of specific revenue sources, except for state and federal grants that are legally restricted to expenditures for specified purposes.

Special Trust - A fund used to account for trust agreements in which the principal and income is used to support District programs.

District Managed Student Activity - A fund used to account for those student activity programs which have student participation in the activity but do not have student management of the programs. This fund would usually include athletic programs but could also include the band, cheerleaders, flag corps, and other similar types of activities.

Auxiliary Services - A fund used to account for monies which provide services and materials to pupils attending non-public schools within the school district.

Public School Preschool - A fund used to assist school districts in paying the cost of preschool programs for three and four year olds.

SchoolNet OneNet - A fund used to account for state funds related to the District's SchoolNet OneNet program.

Able/Job Grant - A fund established to provide assistance to welfare recipients to fund employment. The school district collaborates with the Department of Human Services in preparing participants for the work force by providing them with skills, development, work experience and placement.

Adult Basic Education - A fund used to account for the Federal monies used to provide programs in reading, writing and math competency for adults who have not earned a high school diploma.

NONMAJOR SPECIAL REVENUE FUNDS

Fund Descriptions

Title VI B - A fund used to account Federal monies which assist states in the identification of handicapped children, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

Vocational Education - Provision of funds to boards of education, teacher training institutions, and the state administering agency for cooperating in development of vocational education programs in the following categories: secondary, post-secondary, adult, disadvantaged and handicapped persons, exemplary programs, cooperative education, construction of area vocational schools, ancillary services, research, advisory committees, and work-study projects, including sex equity grants. Funds are administered by the Ohio Department of Education, Division of Vocational and Career Education.

Basic Educational Opportunity Grant - Provision of funds to assist in making available the benefits of post-secondary education to qualified students.

Title I - A fund used to account for funds which are to: 1) establish or improve programs designed to meet the special educational need of migratory children of migratory agricultural workers or migratory fishers' and 2) enable State education agencies to coordinate their state migrant education programs and local projects with similar programs and projects in other states, including the transfer of school records of other information about migratory children.

EHA Preschool Grant - The Preschool Grant Program, Section 619 of Public Law 99-457, addresses the improvement and expansion of services for the handicapped children ages three (3) through five (5) years.

Improving Teacher Quality - A fund used to account for monies to hire additional classroom teachers in grades one through three so that the number of students per teacher will be reduced.

Miscellaneous Federal Grants - To account for various monies received directly from the federal government, which are, not classified elsewhere.

Food Service - A fund used to account for all revenues and expenditures related to food service operations.

Classroom Facilities Maintenance - A fund used to account for proceeds of a levy for the maintenance of facilities.

NONMAJOR SPECIAL REVENUE FUNDS

Fund Descriptions

Education Foundation - A fund used to account for the proceeds of any bequest, gift, or endowment given to the school district for the Education Foundation Fund or given without conditions or limitations; or, for the proceeds of a transfer from the General Fund of up to one-half of one per cent of the total estimated appropriations included in the school district's tax budget; or, in the case of a county board of education, an amount not to exceed one-half of one percent of the funds received by the county board pursuant to Section 3317.11 of the Revised Code. All boards of education must receipt any interest earnings on the principal of the Education Foundation Fund into the Fund. Monies in the Fund shall be expended only by resolution adopted by a majority of the members of the board for operating or capital costs of any existing or new and innovative program designed to enhance or promote education within the district, such as scholarships for students or teachers.

Title I School Improvement - A fund used to account for grant monies to help raise the achievement of students in the District.

Title III Limited English Proficiency - A fund used to develop and carry out elementary and secondary school programs, including activities at the pre-school level, to meet the educational needs of children of limited English proficiency. These programs provide structured English language instruction, with respect to the years of study to which the program is applicable, and instruction in the child's native language to the extent necessary to allow a child to achieve competence in English. The instruction must incorporate the cultural heritage of these children and of other children in American society. The instruction must be, to the extent necessary, in all courses or subjects of study which will allow a child to meet grade promotion and graduation standards.

Sandusky City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	Adult Education	Other Grants	Special Trust	District Managed Student Activity
Assets:				
Equity in Pooled Cash and Investments	\$0	\$285,543	\$152,485	\$192,227
Receivables (Net):				
Taxes	0	0	0	0
Accounts	0	100,000	0	518
Intergovernmental	0	0	0	0
Prepaid Assets	0	0	0	0
Inventory	0	0	0	0
Total Assets	0	385,543	152,485	192,745
Deferred Outflows of Resources:				
Liabilities:				
Accounts Payable	0	23,102	161	15,097
Accrued Wages and Benefits	0	0	0	0
Interfund Payable	0	0	0	0
Total Liabilities	0	23,102	161	15,097
Deferred Inflows of Resources:				
Property Taxes	0	0	0	0
Grants and Other Taxes	0	100,000	0	0
Total Deferred Inflows of Resources	0	100,000	0	0
Fund Balances:				
Nonspendable	0	0	0	0
Restricted	0	262,441	152,324	177,648
Unassigned (Deficit)	0	0	0	0
Total Fund Balances	0	262,441	152,324	177,648
Total Liabilities, Deferred Inflows and Fund Balances	\$0	\$385,543	\$152,485	\$192,745

Auxiliary Services	Public School PreSchool	SchoolNet OneNet	Able/Job Grant	Adult Basic Education	Title VI B	Vocational Education
\$120,619	\$0	\$0	\$11,615	\$297	\$0	\$0
0	0	0	0	0	0	0
0	704	0	0	0	2,777	0
0	36,118	0	1,616	13,749	212,011	859
0	34	0	0	0	135	0
0	0	0	0	0	0	0
<u>120,619</u>	<u>36,856</u>	<u>0</u>	<u>13,231</u>	<u>14,046</u>	<u>214,923</u>	<u>859</u>
14,307	0	0	1,594	0	0	0
0	37,397	0	0	0	147,523	0
0	2,132	0	1,609	928	20,394	474
<u>14,307</u>	<u>39,529</u>	<u>0</u>	<u>3,203</u>	<u>928</u>	<u>167,917</u>	<u>474</u>
0	0	0	0	0	0	0
0	20,180	0	1,616	1,631	131,669	390
0	20,180	0	1,616	1,631	131,669	390
0	34	0	0	0	135	0
106,312	0	0	8,412	11,487	0	0
0	(22,887)	0	0	0	(84,798)	(5)
<u>106,312</u>	<u>(22,853)</u>	<u>0</u>	<u>8,412</u>	<u>11,487</u>	<u>(84,663)</u>	<u>(5)</u>
<u>\$120,619</u>	<u>\$36,856</u>	<u>\$0</u>	<u>\$13,231</u>	<u>\$14,046</u>	<u>\$214,923</u>	<u>\$859</u>

Continued

Sandusky City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	Basic Educational Opportunity Grant	Title I	EHA PreSchool Grant	Improving Teacher Quality
Assets:				
Equity in Pooled Cash and Investments	\$0	\$29,235	\$0	\$32,894
Receivables (Net):				
Taxes	0	0	0	0
Accounts	0	5,903	0	255
Intergovernmental	8,915	487,325	0	158,753
Prepaid Assets	0	286	0	12
Inventory	0	0	0	0
Total Assets	8,915	522,749	0	191,914
Deferred Outflows of Resources:				
Liabilities:				
Accounts Payable	0	25,505	0	25,159
Accrued Wages and Benefits	0	313,618	0	13,533
Interfund Payable	0	57,338	0	34,802
Total Liabilities	0	396,461	0	73,494
Deferred Inflows of Resources:				
Property Taxes	0	0	0	0
Grants and Other Taxes	0	300,195	0	122,126
Total Deferred Inflows of Resources	0	300,195	0	122,126
Fund Balances:				
Nonspendable	0	286	0	12
Restricted	8,915	0	0	0
Unassigned (Deficit)	0	(174,193)	0	(3,718)
Total Fund Balances	8,915	(173,907)	0	(3,706)
Total Liabilities, Deferred Inflows and Fund Balances	\$8,915	\$522,749	\$0	\$191,914

Miscellaneous Federal Grants	Food Service	Classroom Facilities Maintenance	Education Foundation	Title I School Improvement	Title III Limited English Proficiency	Total Nonmajor Special Revenue Funds
\$5,876	\$931,874	\$274,003	\$149,690	\$0	\$0	\$2,186,358
0	0	213,899	0	0	0	213,899
0	15,083	0	0	224	0	125,464
73,452	0	0	0	9,653	381	1,002,832
0	116	0	0	11	0	594
0	35,122	0	0	0	0	35,122
<u>79,328</u>	<u>982,195</u>	<u>487,902</u>	<u>149,690</u>	<u>9,888</u>	<u>381</u>	<u>3,564,269</u>
5,816	1,049	0	0	0	0	111,790
0	154,485	0	0	11,919	0	678,475
60,708	0	0	0	61	696	179,142
<u>66,524</u>	<u>155,534</u>	<u>0</u>	<u>0</u>	<u>11,980</u>	<u>696</u>	<u>969,407</u>
0	0	187,401	0	0	0	187,401
12,918	0	0	0	6,478	0	697,203
<u>12,918</u>	<u>0</u>	<u>187,401</u>	<u>0</u>	<u>6,478</u>	<u>0</u>	<u>884,604</u>
0	116	0	0	11	0	594
0	826,545	300,501	149,690	0	0	2,004,275
(114)	0	0	0	(8,581)	(315)	(294,611)
<u>(114)</u>	<u>826,661</u>	<u>300,501</u>	<u>149,690</u>	<u>(8,570)</u>	<u>(315)</u>	<u>1,710,258</u>
<u>\$79,328</u>	<u>\$982,195</u>	<u>\$487,902</u>	<u>\$149,690</u>	<u>\$9,888</u>	<u>\$381</u>	<u>\$3,564,269</u>

Sandusky City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018

	Adult Education	Other Grants	Special Trust	District Managed Student Activity
Revenues:				
Property and Other Taxes	\$0	\$0	\$0	\$0
Investment Earnings	0	0	1,295	0
Intergovernmental	194,304	0	0	0
Extracurricular Activities	0	0	0	220,053
Charges for Services	0	0	0	8,239
Revenue in Lieu of Taxes	0	0	0	0
Gifts and Donations	0	234,981	0	59,698
Other Revenues	0	13,867	0	399
Total Revenues	194,304	248,848	1,295	288,389
Expenditures:				
Current:				
Instruction:				
Regular	0	11,112	0	0
Special	0	69,719	0	0
Vocational	0	1,848	0	0
Adult/Continuing	194,304	0	0	0
Support Services:				
Pupil	0	0	0	0
Instructional Staff	0	1,941	0	0
School Administration	0	0	0	0
Fiscal	0	0	0	0
Business	0	0	0	0
Pupil Transportation	0	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	25,176	0	0
Extracurricular Activities	0	0	161	268,782
Total Expenditures	194,304	109,796	161	268,782
Excess of Revenues Over (Under) Expenditures	0	139,052	1,134	19,607
Other Financing Sources (Uses):				
Transfers (Out)	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Changes in Fund Balance	0	139,052	1,134	19,607
Fund Balance - Beginning of Year	0	123,389	151,190	158,041
Fund Balance - End of Year	\$0	\$262,441	\$152,324	\$177,648

Auxiliary Services	Public School PreSchool	SchoolNet OneNet	Able/Job Grant	Adult Basic Education	Title VI B	Vocational Education
\$0	\$0	\$0	\$0	\$0	\$0	\$0
291	0	0	0	0	0	0
480,846	186,000	12,600	0	110,809	927,840	98,049
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>481,137</u>	<u>186,000</u>	<u>12,600</u>	<u>0</u>	<u>110,809</u>	<u>927,840</u>	<u>98,049</u>
0	178,590	0	0	0	0	0
0	0	0	1,594	0	600,096	0
0	0	0	0	0	0	90,306
0	0	0	0	73,465	0	0
0	500	0	0	0	245,557	0
0	0	0	0	30,438	7,152	5,448
0	0	0	0	3,397	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	2,381	0
0	0	12,600	0	0	0	0
382,175	0	0	0	0	63,255	0
0	0	0	0	0	0	0
<u>382,175</u>	<u>179,090</u>	<u>12,600</u>	<u>1,594</u>	<u>107,300</u>	<u>918,441</u>	<u>95,754</u>
<u>98,962</u>	<u>6,910</u>	<u>0</u>	<u>(1,594)</u>	<u>3,509</u>	<u>9,399</u>	<u>2,295</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
98,962	6,910	0	(1,594)	3,509	9,399	2,295
7,350	(29,763)	0	10,006	7,978	(94,062)	(2,300)
<u>\$106,312</u>	<u>(\$22,853)</u>	<u>\$0</u>	<u>\$8,412</u>	<u>\$11,487</u>	<u>(\$84,663)</u>	<u>(\$5)</u>

Continued

Sandusky City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018

	Basic Educational Opportunity Grant	Title I	EHA PreSchool Grant	Improving Teacher Quality
Revenues:				
Property and Other Taxes	\$0	\$0	\$0	\$0
Investment Earnings	0	0	0	0
Intergovernmental	356,528	1,967,327	33,327	160,647
Extracurricular Activities	0	0	0	0
Charges for Services	0	0	0	0
Revenue in Lieu of Taxes	0	0	0	0
Gifts and Donations	0	0	0	0
Other Revenues	0	0	0	0
Total Revenues	356,528	1,967,327	33,327	160,647
Expenditures:				
Current:				
Instruction:				
Regular	0	0	0	0
Special	0	1,556,020	29,222	0
Vocational	0	0	0	0
Adult/Continuing	0	0	0	0
Support Services:				
Pupil	0	92,307	0	0
Instructional Staff	0	212,665	724	146,994
School Administration	0	52,410	0	0
Fiscal	0	0	0	0
Business	0	0	0	0
Pupil Transportation	0	9	0	0
Central	0	0	0	0
Operation of Non-Instructional Services	347,613	40,194	0	13,897
Extracurricular Activities	0	0	0	0
Total Expenditures	347,613	1,953,605	29,946	160,891
Excess of Revenues Over (Under) Expenditures	8,915	13,722	3,381	(244)
Other Financing Sources (Uses):				
Transfers (Out)	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Changes in Fund Balance	8,915	13,722	3,381	(244)
Fund Balance - Beginning of Year	0	(187,629)	(3,381)	(3,462)
Fund Balance - End of Year	\$8,915	(\$173,907)	\$0	(\$3,706)

Miscellaneous Federal Grants	Food Service	Classroom Facilities Maintenance	Education Foundation	Title I School Improvement	Title III Limited English Proficiency	Total Nonmajor Special Revenue Funds
\$0	\$0	\$220,780	\$0	\$0	\$0	\$220,780
0	0	385	6,685	0	0	8,656
85,208	2,178,416	35,163	0	56,057	7,244	6,890,365
0	0	0	0	0	0	220,053
0	82,284	0	0	0	0	90,523
0	0	167	0	0	0	167
0	7,856	0	32,368	0	0	334,903
0	26,203	0	0	0	0	40,469
<u>85,208</u>	<u>2,294,759</u>	<u>256,495</u>	<u>39,053</u>	<u>56,057</u>	<u>7,244</u>	<u>7,805,916</u>
78,322	0	0	0	0	0	268,024
0	0	0	0	10,304	7,559	2,274,514
0	0	0	0	0	0	92,154
0	0	0	0	0	0	267,769
7,000	0	0	0	0	0	345,364
0	0	0	0	46,298	0	451,660
0	0	0	0	0	0	55,807
0	0	4,127	0	0	0	4,127
0	0	0	22,049	0	0	22,049
0	0	0	0	0	0	2,390
0	0	0	0	0	0	12,600
0	2,121,663	0	0	0	0	2,993,973
0	0	0	0	0	0	268,943
<u>85,322</u>	<u>2,121,663</u>	<u>4,127</u>	<u>22,049</u>	<u>56,602</u>	<u>7,559</u>	<u>7,059,374</u>
<u>(114)</u>	<u>173,096</u>	<u>252,368</u>	<u>17,004</u>	<u>(545)</u>	<u>(315)</u>	<u>746,542</u>
<u>0</u>	<u>0</u>	<u>(110,240)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(110,240)</u>
<u>0</u>	<u>0</u>	<u>(110,240)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(110,240)</u>
<u>(114)</u>	<u>173,096</u>	<u>142,128</u>	<u>17,004</u>	<u>(545)</u>	<u>(315)</u>	<u>636,302</u>
<u>0</u>	<u>653,565</u>	<u>158,373</u>	<u>132,686</u>	<u>(8,025)</u>	<u>0</u>	<u>1,073,956</u>
<u>(\$114)</u>	<u>\$826,661</u>	<u>\$300,501</u>	<u>\$149,690</u>	<u>(\$8,570)</u>	<u>(\$315)</u>	<u>\$1,710,258</u>

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

	Other Grants Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Extracurricular Activities	\$234,981	\$234,981	\$0
Other Revenues	13,867	13,867	0
Total Revenues	248,848	248,848	0
Expenditures:			
Current:			
Instruction:			
Regular	11,292	11,112	180
Special	90,450	89,006	1,444
Vocational	911	896	15
Support Services:			
Instructional Staff	1,840	1,811	29
Operation of Non-Instructional Services	25,584	25,176	408
Total Expenditures	130,077	128,001	2,076
Changes in Fund Balance	118,771	120,847	2,076
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	139,793	139,793	0
Fund Balance - End of Year	\$258,564	\$260,640	\$2,076

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

	Special Trust Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$0	\$1,295	\$1,295
Total Revenues	0	1,295	1,295
Expenditures:			
Current:			
Extracurricular Activities	74,817	176	74,641
Total Expenditures	74,821	176	74,645
Changes in Fund Balance	(74,821)	1,119	75,940
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	151,192	151,192	0
Fund Balance - End of Year	\$76,371	\$152,311	\$75,940

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

	District Managed Student Activity Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Extracurricular Activities	\$225,462	\$220,128	(\$5,334)
Charges for Services	8,439	8,239	(200)
Other Revenues	62,124	60,654	(1,470)
Total Revenues	296,025	289,021	(7,004)
Expenditures:			
Current:			
Extracurricular Activities	311,252	275,023	36,229
Total Expenditures	311,252	275,023	36,229
Changes in Fund Balance	(15,227)	13,998	29,225
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	162,415	162,415	0
Fund Balance - End of Year	\$147,188	\$176,413	\$29,225

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

	Auxiliary Services Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$295	\$291	(\$4)
Intergovernmental	488,138	480,846	(7,292)
Total Revenues	488,433	481,137	(7,296)
Expenditures:			
Current:			
Operation of Non-Instructional Services	446,099	434,996	11,103
Total Expenditures	446,099	434,996	11,103
Changes in Fund Balance	42,334	46,141	3,807
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	30,813	30,813	0
Fund Balance - End of Year	\$73,147	\$76,954	\$3,807

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

	Public School PreSchool Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$187,197	\$186,703	(\$494)
Total Revenues	<u>187,197</u>	<u>186,703</u>	<u>(494)</u>
Expenditures:			
Current:			
Instruction:			
Regular	188,433	188,363	70
Support Services:			
Pupil	500	500	0
Total Expenditures	<u>188,933</u>	<u>188,863</u>	<u>70</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,736)</u>	<u>(2,160)</u>	<u>(424)</u>
Other Financing Sources (Uses):			
Advances In	2,138	2,132	(6)
Total Other Financing Sources (Uses)	<u>2,138</u>	<u>2,132</u>	<u>(6)</u>
Changes in Fund Balance	402	(28)	(430)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>27</u>	<u>27</u>	<u>0</u>
Fund Balance - End of Year	<u>\$429</u>	<u>(\$1)</u>	<u>(\$430)</u>

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

	SchoolNet OneNet Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$12,600	\$12,600	\$0
Total Revenues	12,600	12,600	0
Expenditures:			
Current:			
Support Services:			
Central	12,600	12,600	0
Total Expenditures	12,600	12,600	0
Changes in Fund Balance	0	0	0
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	0	0	0
Fund Balance - End of Year	\$0	\$0	\$0

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

	Able/Job Grant Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Current:			
Instruction:			
Special	1,609	1,609	0
Total Expenditures	1,609	1,609	0
Excess of Revenues Over (Under) Expenditures	(1,609)	(1,609)	0
Other Financing Sources (Uses):			
Advances In	3,225	1,609	(1,616)
Total Other Financing Sources (Uses)	3,225	1,609	(1,616)
Changes in Fund Balance	1,616	0	(1,616)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	10,009	10,009	0
Fund Balance - End of Year	<u>\$11,625</u>	<u>\$10,009</u>	<u>(\$1,616)</u>

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

	Adult Basic Education Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$113,789	\$106,668	(\$7,121)
Total Revenues	<u>113,789</u>	<u>106,668</u>	<u>(7,121)</u>
Expenditures:			
Current:			
Instruction:			
Adult/continuing	77,919	73,760	4,159
Support Services:			
Instructional Staff	31,877	30,438	1,439
School Administration	3,558	3,397	161
Total Expenditures	<u>113,354</u>	<u>107,595</u>	<u>5,759</u>
Excess of Revenues Over (Under) Expenditures	<u>435</u>	<u>(927)</u>	<u>(1,362)</u>
Other Financing Sources (Uses):			
Advances In	990	928	(62)
Total Other Financing Sources (Uses)	<u>990</u>	<u>928</u>	<u>(62)</u>
Changes in Fund Balance	1,425	1	(1,424)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>1</u>	<u>1</u>	<u>0</u>
Fund Balance - End of Year	<u>\$1,426</u>	<u>\$2</u>	<u>(\$1,424)</u>

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

	Title VI B Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$1,000,352	\$898,232	(\$102,120)
Total Revenues	<u>1,000,352</u>	<u>898,232</u>	<u>(102,120)</u>
Expenditures:			
Current:			
Instruction:			
Special	607,512	600,971	6,541
Support Services:			
Pupil	235,792	233,253	2,539
Instructional Staff	12,170	12,039	131
Pupil Transportation	2,407	2,381	26
Operation of Non-Instructional Services	<u>63,943</u>	<u>63,255</u>	<u>688</u>
Total Expenditures	<u>921,824</u>	<u>911,899</u>	<u>9,925</u>
Excess of Revenues Over (Under) Expenditures	<u>78,528</u>	<u>(13,667)</u>	<u>(92,195)</u>
Other Financing Sources (Uses):			
Advances In	22,713	20,394	(2,319)
Advances (Out)	<u>(7,100)</u>	<u>(7,024)</u>	<u>76</u>
Total Other Financing Sources (Uses)	<u>15,613</u>	<u>13,370</u>	<u>(2,243)</u>
Changes in Fund Balance	94,141	(297)	(94,438)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>298</u>	<u>298</u>	<u>0</u>
Fund Balance - End of Year	<u>\$94,439</u>	<u>\$1</u>	<u>(\$94,438)</u>

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

	Vocational Education Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$101,562	\$97,580	(\$3,982)
Total Revenues	101,562	97,580	(3,982)
Expenditures:			
Current:			
Instruction:			
Vocational	95,404	92,606	2,798
Support Services:			
Instructional Staff	5,613	5,448	165
Total Expenditures	101,017	98,054	2,963
Excess of Revenues Over (Under) Expenditures	545	(474)	(1,019)
Other Financing Sources (Uses):			
Advances In	493	474	(19)
Advances (Out)	(2,371)	(2,301)	70
Total Other Financing Sources (Uses)	(1,878)	(1,827)	51
Changes in Fund Balance	(1,333)	(2,301)	(968)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	2,301	2,301	0
Fund Balance - End of Year	\$968	\$0	(\$968)

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

	Basic Educational Opportunity Grant Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$380,613	\$347,613	(\$33,000)
Total Revenues	380,613	347,613	(33,000)
Expenditures:			
Current:			
Operation of Non-Instructional Services	378,883	347,613	31,270
Total Expenditures	378,883	347,613	31,270
Changes in Fund Balance	1,730	0	(1,730)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	0	0	0
Fund Balance - End of Year	\$1,730	\$0	(\$1,730)

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

	Title I Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$2,034,568	\$1,889,959	(\$144,609)
Total Revenues	<u>2,034,568</u>	<u>1,889,959</u>	<u>(144,609)</u>
Expenditures:			
Current:			
Instruction:			
Special	1,666,632	1,550,441	116,191
Support Services:			
Pupil	93,304	86,799	6,505
Instructional Staff	232,312	216,116	16,196
School Administration	58,047	54,000	4,047
Pupil Transportation	10	9	1
Operation of Non-Instructional Services	45,604	42,425	3,179
Total Expenditures	<u>2,095,909</u>	<u>1,949,790</u>	<u>146,119</u>
Excess of Revenues Over (Under) Expenditures	<u>(61,341)</u>	<u>(59,831)</u>	<u>1,510</u>
Other Financing Sources (Uses):			
Advances In	61,725	57,338	(4,387)
Total Other Financing Sources (Uses)	<u>61,725</u>	<u>57,338</u>	<u>(4,387)</u>
Changes in Fund Balance	384	(2,493)	(2,877)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>2,494</u>	<u>2,494</u>	<u>0</u>
Fund Balance - End of Year	<u><u>\$2,878</u></u>	<u><u>\$1</u></u>	<u><u>(\$2,877)</u></u>

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

	EHA PreSchool Grant Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$106,242	\$36,242	(\$70,000)
Total Revenues	106,242	36,242	(70,000)
Expenditures:			
Current:			
Instruction:			
Special	39,259	35,520	3,739
Support Services:			
Instructional Staff	800	724	76
Total Expenditures	40,059	36,244	3,815
Changes in Fund Balance	66,183	(2)	(66,185)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	2	2	0
Fund Balance - End of Year	\$66,185	\$0	(\$66,185)

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

	Improving Teacher Quality Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$177,639	\$151,582	(\$26,057)
Total Revenues	<u>177,639</u>	<u>151,582</u>	<u>(26,057)</u>
Expenditures:			
Current:			
Support Services:			
Instructional Staff	158,518	148,333	10,185
Operation of Non-Instructional Services	16,783	15,705	1,078
Total Expenditures	<u>175,301</u>	<u>164,038</u>	<u>11,263</u>
Excess of Revenues Over (Under) Expenditures	<u>2,338</u>	<u>(12,456)</u>	<u>(14,794)</u>
Other Financing Sources (Uses):			
Advances In	40,784	34,802	(5,982)
Advances (Out)	(23,710)	(22,187)	1,523
Total Other Financing Sources (Uses)	<u>17,074</u>	<u>12,615</u>	<u>(4,459)</u>
Changes in Fund Balance	19,412	159	(19,253)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>12,496</u>	<u>12,496</u>	<u>0</u>
Fund Balance - End of Year	<u>\$31,908</u>	<u>\$12,655</u>	<u>(\$19,253)</u>

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

	Miscellaneous Federal Grants Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$27,848	\$24,674	(\$3,174)
Total Revenues	27,848	24,674	(3,174)
Expenditures:			
Current:			
Instruction:			
Regular	79,264	78,383	881
Support Services:			
Pupil	7,079	7,000	79
Total Expenditures	86,343	85,383	960
Excess of Revenues Over (Under) Expenditures	(58,495)	(60,709)	(2,214)
Other Financing Sources (Uses):			
Advances In	68,519	60,708	(7,811)
Total Other Financing Sources (Uses)	68,519	60,708	(7,811)
Changes in Fund Balance	10,024	(1)	(10,025)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	0	0	0
Fund Balance - End of Year	\$10,024	(\$1)	(\$10,025)

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

	Food Service Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$2,029,329	\$2,028,195	(\$1,134)
Charges for Services	91,319	91,268	(51)
Other Revenues	21,370	21,358	(12)
Total Revenues	<u>2,142,018</u>	<u>2,140,821</u>	<u>(1,197)</u>
Expenditures:			
Current:			
Operation of Non-Instructional Services	2,040,927	2,024,914	16,013
Total Expenditures	<u>2,040,927</u>	<u>2,024,914</u>	<u>16,013</u>
Changes in Fund Balance	101,091	115,907	14,816
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>806,962</u>	<u>806,962</u>	<u>0</u>
Fund Balance - End of Year	<u>\$908,053</u>	<u>\$922,869</u>	<u>\$14,816</u>

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

	Classroom Facilities Maintenance Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$209,201	\$233,638	\$24,437
Investment Earnings	345	385	40
Intergovernmental	31,485	35,163	3,678
Other Revenues	150	167	17
Total Revenues	<u>241,181</u>	<u>269,353</u>	<u>28,172</u>
Expenditures:			
Current:			
Support Services:			
Fiscal	4,154	4,127	27
Total Expenditures	<u>4,154</u>	<u>4,127</u>	<u>27</u>
Excess of Revenues Over (Under) Expenditures	<u>237,027</u>	<u>265,226</u>	<u>28,199</u>
Other Financing Sources (Uses):			
Transfers (Out)	<u>(110,973)</u>	<u>(110,240)</u>	<u>733</u>
Total Other Financing Sources (Uses)	<u>(110,973)</u>	<u>(110,240)</u>	<u>733</u>
Changes in Fund Balance	126,054	154,986	28,932
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>119,017</u>	<u>119,017</u>	<u>0</u>
Fund Balance - End of Year	<u>\$245,071</u>	<u>\$274,003</u>	<u>\$28,932</u>

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

	Education Foundation Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$6,718	\$6,685	(\$33)
Other Revenues	32,529	32,368	(161)
Total Revenues	39,247	39,053	(194)
Expenditures:			
Current:			
Support Services:			
Business	22,101	22,049	52
Total Expenditures	22,101	22,049	52
Changes in Fund Balance	17,146	17,004	(142)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	132,687	132,687	0
Fund Balance - End of Year	\$149,833	\$149,691	(\$142)

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

	Title I School Improvement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$58,028	\$57,635	(\$393)
Total Revenues	58,028	57,635	(393)
Expenditures:			
Current:			
Instruction:			
Special	19,675	19,675	0
Support Services:			
Instructional Staff	38,022	38,022	0
Total Expenditures	57,697	57,697	0
Excess of Revenues Over (Under) Expenditures	331	(62)	(393)
Other Financing Sources (Uses):			
Advances In	61	61	0
Total Other Financing Sources (Uses)	61	61	0
Changes in Fund Balance	392	(1)	(393)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	2	2	0
Fund Balance - End of Year	\$394	\$1	(\$393)

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

	Title III Limited English Proficiency Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$16,135	\$7,035	(9,100)
Total Revenues	<u>16,135</u>	<u>7,035</u>	<u>(9,100)</u>
Expenditures:			
Current:			
Instruction:			
Special	10,239	7,619	2,620
Total Expenditures	<u>10,239</u>	<u>7,619</u>	<u>2,620</u>
Excess of Revenues Over (Under) Expenditures	<u>5,896</u>	<u>(584)</u>	<u>(6,480)</u>
Other Financing Sources (Uses):			
Advances In	1,596	696	(900)
Advances (Out)	<u>(231)</u>	<u>(172)</u>	<u>59</u>
Total Other Financing Sources (Uses)	<u>1,365</u>	<u>524</u>	<u>(841)</u>
Changes in Fund Balance	7,261	(60)	(7,321)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>60</u>	<u>60</u>	<u>0</u>
Fund Balance - End of Year	<u><u>\$7,321</u></u>	<u><u>\$0</u></u>	<u><u>(\$7,321)</u></u>

NONMAJOR DEBT SERVICE FUND

Fund Description

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service fund. The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance for the Debt Retirement Fund has been included in the Nonmajor Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance. The Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) follows this page.

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

	Debt Service Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$1,887,995	\$1,887,747	(\$248)
Revenue in lieu of taxes	1,349	1,349	0
Investment Earnings	3,694	3,694	0
Intergovernmental	56,862	56,855	(7)
Other Revenues	534	534	0
Total Revenues	<u>1,950,434</u>	<u>1,950,179</u>	<u>(255)</u>
Expenditures:			
Current:			
Support Services:			
Fiscal	34,023	33,347	676
Debt Service:			
Principal Retirements	994,761	975,000	19,761
Interest and Fiscal Charges	1,582,088	1,550,659	31,429
Total Expenditures	<u>2,610,872</u>	<u>2,559,006</u>	<u>51,866</u>
Changes in Fund Balance	(660,438)	(608,827)	51,611
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>1,900,534</u>	<u>1,900,534</u>	<u>0</u>
Fund Balance - End of Year	<u>\$1,240,096</u>	<u>\$1,291,707</u>	<u>\$51,611</u>

THIS PAGE INTENTIONALLY LEFT BLANK

NONMAJOR CAPITAL PROJECT FUNDS

Fund Descriptions

Permanent Improvement - A fund used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by chapter 5705, Revised Code.

Replacement - A fund used to account for monies used in the rebuilding, restoration or improvement of property which has been totally or partially destroyed due to any cause. Such property may have become unfit for use necessitating its demolition in whole or in part, and may require repair or restoration before it can again be used.

Sandusky City School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2018

	Permanent Improvement	Replacement	Total Nonmajor Capital Projects Funds
Assets:			
Equity in Pooled Cash and Investments	\$644,857	\$26,673	\$671,530
Receivables (Net):			
Taxes	858,703	0	858,703
Total Assets	1,503,560	26,673	1,530,233
Liabilities:			
Accounts Payable	18,450	0	18,450
Total Liabilities	18,450	0	18,450
Deferred Inflows of Resources:			
Property Taxes	752,806	0	752,806
Total Deferred Inflows of Resources	752,806	0	752,806
Fund Balances:			
Restricted	732,304	0	732,304
Assigned	0	26,673	26,673
Total Fund Balances	732,304	26,673	758,977
Total Liabilities, Deferred Inflows and Fund Balances	\$1,503,560	\$26,673	\$1,530,233

Sandusky City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2018

	Permanent Improvement	Replacement	Total Nonmajor Capital Projects Funds
Revenues:			
Property and Other Taxes	\$845,995	\$0	\$845,995
Intergovernmental	97,518	0	97,518
Revenue in Lieu of Taxes	663	0	663
Total Revenues	944,176	0	944,176
Expenditures:			
Current:			
Instruction:			
Regular	253,562	0	253,562
Special	678	0	678
Support Services:			
Fiscal	16,467	0	16,467
Pupil Transportation	205,314	0	205,314
Capital Outlay	402,683	0	402,683
Total Expenditures	878,704	0	878,704
Excess of Revenues Over (Under) Expenditures	65,472	0	65,472
Other Financing Sources (Uses):			
Transfers In	110,240	0	110,240
Total Other Financing Sources (Uses)	110,240	0	110,240
Changes in Fund Balance	175,712	0	175,712
Fund Balance - Beginning of Year	556,592	26,673	583,265
Fund Balance - End of Year	\$732,304	\$26,673	\$758,977

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

	Permanent Improvement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$863,817	\$863,066	(\$751)
Revenue in lieu of taxes	664	663	(1)
Intergovernmental	97,603	97,518	(85)
Total Revenues	962,084	961,247	(837)
Expenditures:			
Current:			
Instruction:			
Regular	288,579	253,562	35,017
Special	772	678	94
Support Services:			
Fiscal	18,741	16,467	2,274
Pupil Transportation	233,668	205,314	28,354
Capital Outlay	688,651	605,088	83,563
Total Expenditures	1,230,411	1,081,109	149,302
Excess of Revenues Over (Under) Expenditures	(268,327)	(119,862)	148,465
Other Financing Sources (Uses):			
Transfers In	110,336	110,240	(96)
Total Other Financing Sources (Uses)	110,336	110,240	(96)
Changes in Fund Balance	(157,991)	(9,622)	148,369
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	511,640	511,640	0
Fund Balance - End of Year	\$353,649	\$502,018	\$148,369

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

	Replacement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Capital Outlay	0	0	(0)
Total Expenditures	0	0	(0)
Changes in Fund Balance	0	0	0
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	26,673	26,673	0
Fund Balance - End of Year	\$26,673	\$26,673	\$0

NONMAJOR PERMANENT FUND

Fund Description

Permanent Fund - The Permanent fund should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for the purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. The Permanent fund does not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments. The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance are included in the Nonmajor Governmental Funds Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance. The Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) follows this page.

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

	Permanent Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$3,337	\$3,337	\$0
Other Revenues	5,934	5,934	0
Total Revenues	9,271	9,271	0
Expenditures:			
Current:			
Operation of Non-Instructional Services	0	0	(0)
Total Expenditures	0	0	(0)
Changes in Fund Balance	9,271	9,271	(0)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	157,455	157,455	0
Fund Balance - End of Year	\$166,726	\$166,726	(\$0)

OTHER GENERAL FUNDS

With the implementation of GASB Statement No. 54, certain funds that the District prepares legally adopted budgets for no longer meet the definition to be reported as Special Revenue funds and have been included with the General Fund in the governmental fund financial statements. The District has only presented the budget schedules for these funds.

Fund Descriptions

Public School Support - A fund used to account for specific local revenue sources (other than taxes) generated by individual school buildings (i.e. sale of pictures, profits from vending machines, etc.). Expenditures include field trips, materials, equipment and other items to supplement co-curricular and extra-curricular programs.

Adult Education - A fund used to account for transactions made in connection with adult education classes. Receipts include, but are not limited to, tuition from patrons and students, and reimbursement from the State Department of Education. Expenditures include supplies, salaries and textbooks.

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

	Public School Support Fund (1)		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Extracurricular Activities	\$43,243	\$41,330	(\$1,913)
Other Revenues	28,341	27,087	(1,254)
Total Revenues	<u>71,584</u>	<u>68,417</u>	<u>(3,167)</u>
Expenditures:			
Current:			
Extracurricular Activities	<u>132,770</u>	<u>71,750</u>	<u>61,020</u>
Total Expenditures	<u>132,770</u>	<u>71,750</u>	<u>61,020</u>
Changes in Fund Balance	(61,186)	(3,333)	57,853
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>77,913</u>	<u>77,913</u>	<u>0</u>
Fund Balance - End of Year	<u>\$16,727</u>	<u>\$74,580</u>	<u>\$57,853</u>

(1) This fund is combined with the General fund in GAAP Statements.

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

	Adult Education Fund (1)		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Tuition and Fees	\$867,411	\$863,504	(\$3,907)
Intergovernmental	195,183	194,304	(879)
Other Revenues	217,952	216,970	(982)
Total Revenues	1,280,546	1,274,778	(5,768)
Expenditures:			
Current:			
Instruction:			
Adult/continuing	1,460,404	1,426,060	34,344
Total Expenditures	1,460,404	1,426,060	34,344
Excess of Revenues Over (Under) Expenditures	(179,858)	(151,282)	28,576
Other Financing Sources (Uses):			
Advances In	228,170	227,142	(1,028)
Total Other Financing Sources (Uses)	228,170	227,142	(1,028)
Changes in Fund Balance	48,312	75,860	27,548
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	184,416	184,416	0
Fund Balance - End of Year	\$232,728	\$260,276	\$27,548

(1) This fund is split between the General fund and Nonmajor Special Revenue funds in the GAAP Statements.

NONMAJOR FUNDS

Fiduciary Funds

Fiduciary fund types are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental unites and/or other funds.

Scholarship Trust (Private Purpose Trust) - A fund used to account for monies set aside from endowments for scholarships for students enrolled in the District. The principal and income from such a fund may be expended.

Endowment (Private Purpose Trust) - A fund used to account for monies set aside from endowments for scholarships for students enrolled in the District. The income from such a fund may be expended, but the principal must remain intact.

District Agency (Agency Fund) - A fund used to account for those assets held by a school district as an agent for individuals, private organization, other governmental units, and/or other funds.

Student Managed Activity (Agency Fund) - A fund used to account for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

Sandusky City School District
 Combining Statement of Fiduciary Net Position
 Private Purpose Trust Funds
 June 30, 2018

	Scholarship Trust	Endowment	Total
Assets:			
Equity in Pooled Cash and Investments	\$672,220	\$9,103,159	\$9,775,379
Receivables (Net):			
Interest	0	17,967	17,967
Total Assets	<u>672,220</u>	<u>9,121,126</u>	<u>9,793,346</u>
Net Position:			
Held in Trust	<u>672,220</u>	<u>9,121,126</u>	<u>9,793,346</u>
Total Net Position	<u>\$672,220</u>	<u>\$9,121,126</u>	<u>\$9,793,346</u>

Sandusky City School District
 Combining Statement of Changes in Fiduciary Net Position
 Private Purpose Trust Funds
 For the Fiscal Year Ended June 30, 2018

	Scholarship Trust	Endowment	Total
Additions:			
Investment Earnings	\$2,457	\$585,953	\$588,410
Other	66,762	0	66,762
Total Additions	<u>69,219</u>	<u>585,953</u>	<u>655,172</u>
Deductions:			
Scholarships	66,500	76,878	143,378
Total Deductions	<u>66,500</u>	<u>76,878</u>	<u>143,378</u>
Changes in Fiduciary Net Position	2,719	509,075	511,794
Net Position - Beginning of Year	<u>669,501</u>	<u>8,612,051</u>	<u>9,281,552</u>
Net Position - End of Year	<u>\$672,220</u>	<u>\$9,121,126</u>	<u>\$9,793,346</u>

Sandusky City School District
Statement of Changes In Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2018

	District Agency			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$14,863	\$1,503,200	\$1,490,062	\$28,001
Receivables (Net):				
Taxes	649,185	640,152	649,185	640,152
Accounts	624	0	624	0
Total Assets	<u>664,672</u>	<u>2,143,352</u>	<u>2,139,871</u>	<u>668,153</u>
Liabilities:				
Other Liabilities	664,672	2,143,352	2,139,871	668,153
Total Liabilities	<u>\$664,672</u>	<u>\$2,143,352</u>	<u>\$2,139,871</u>	<u>\$668,153</u>

	Student Managed Activity			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$96,320	\$123,157	\$119,799	\$99,678
Total Assets	<u>96,320</u>	<u>123,157</u>	<u>119,799</u>	<u>99,678</u>
Liabilities:				
Accounts Payable	602	1,511	602	1,511
Other Liabilities	95,718	121,646	119,197	98,167
Total Liabilities	<u>\$96,320</u>	<u>\$123,157</u>	<u>\$119,799</u>	<u>\$99,678</u>

	Total All Agency Funds			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$111,183	\$1,626,357	\$1,609,861	\$127,679
Receivables (Net):				
Taxes	649,185	640,152	649,185	640,152
Accounts	624	0	624	0
Total Assets	<u>760,992</u>	<u>2,266,509</u>	<u>2,259,670</u>	<u>767,831</u>
Liabilities:				
Accounts Payable	602	1,511	602	1,511
Other Liabilities	760,390	2,264,998	2,259,068	766,320
Total Liabilities	<u>\$760,992</u>	<u>\$2,266,509</u>	<u>\$2,259,670</u>	<u>\$767,831</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

CONTENTS

FINANCIAL TRENDS: These schedules contain trend information to help the reader understand how the District's financial position has changed over time.

REVENUE CAPACITY: These schedules contain information to help the reader understand and assess the factors affecting the School District's ability to generate its most significant local revenue source(s), the property tax.

DEBT CAPACITY: These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.

ECONOMIC AND DEMOGRAPHIC INFORMATION: These schedules offer economic and demographic indicators to help the reader understand the environment within which the School District's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.

OPERATING INFORMATION: These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

THIS PAGE INTENTIONALLY LEFT BLANK

Sandusky City School District, Ohio
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)
 Schedule 1

	Fiscal Year									
	2009	2010	2011	2012	2013	2014 (1)	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$10,002,744	\$9,053,163	\$8,898,289	\$8,095,561	\$9,650,349	\$10,570,451	\$10,635,896	\$10,691,843	\$10,627,825	\$8,723,039
Restricted	1,926,356	1,693,031	1,612,452	1,712,923	1,306,846	2,261,685	2,130,209	2,354,770	37,925,259	41,346,946
Unrestricted	2,146,662	3,098,977	2,185,093	(263,266)	(212,978)	(63,149,693)	(58,077,949)	(52,967,354)	(71,703,704)	(47,214,912)
Total Governmental Activities Net Position	\$14,075,762	\$13,845,171	\$12,695,834	\$9,545,218	\$10,744,217	(\$50,317,557)	(\$45,311,844)	(\$39,920,741)	(\$23,150,620)	\$2,855,073
Total Primary Government										
Net Investment in Capital Assets	\$10,002,744	\$9,053,163	\$8,898,289	\$8,095,561	\$9,650,349	\$10,570,451	\$10,635,896	\$10,691,843	\$10,627,825	\$8,723,039
Restricted	1,926,356	1,693,031	1,612,452	1,712,923	1,306,846	2,261,685	2,130,209	2,354,770	37,925,259	41,346,946
Unrestricted	2,146,662	3,098,977	2,185,093	(263,266)	(212,978)	(63,149,693)	(58,077,949)	(52,967,354)	(71,703,704)	(47,214,912)
Total Primary Government Net Position	\$14,075,762	\$13,845,171	\$12,695,834	\$9,545,218	\$10,744,217	(\$50,317,557)	(\$45,311,844)	(\$39,920,741)	(\$23,150,620)	\$2,855,073

Source: District Records

(1) - Fiscal year 2014 had a large decrease in unrestricted net position due to the implementation of GASB 68.

Note - Due to implementation of GASB 75 in fiscal year 2018, fiscal year 2017 has been restated to reflect changes. However, we are unable to restate numbers for fiscal years 2009 to 2016 due to information not being available.

Sandusky City School District, Ohio
 Expenses, Program Revenues and Net (Expense)/Revenue
 Last Ten Fiscal Years
 (accrual basis of accounting)
 Schedule 2

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
Instruction	\$31,120,235	\$32,423,935	\$33,000,997	\$32,320,969	\$30,355,691	\$32,492,793	\$31,501,248	\$31,824,045	\$36,502,846	\$22,476,864
Pupil	1,949,122	1,810,155	1,808,990	1,905,257	1,964,202	2,054,942	2,235,545	2,478,935	2,645,569	1,480,059
Instructional Staff	1,976,782	2,334,671	2,178,795	2,891,614	2,762,425	1,730,658	1,951,925	2,008,040	2,242,858	626,711
General Administration	219,506	274,123	237,888	194,969	162,727	203,832	193,601	182,920	204,630	344,959
School Administration	3,143,151	2,993,558	3,078,638	2,844,207	2,621,850	2,926,608	3,190,007	3,206,215	3,437,227	589,210
Fiscal	790,838	724,600	772,658	775,946	757,378	790,525	718,377	888,242	895,004	625,243
Business	173,166	165,646	165,412	154,022	131,172	272,987	135,626	174,113	195,897	94,905
Operations and Maintenance	4,131,032	3,488,446	3,587,482	3,280,303	2,590,459	3,063,508	3,095,214	3,160,807	3,349,576	1,944,026
Pupil Transportation	1,560,103	1,595,977	1,541,087	1,918,458	1,362,330	1,680,628	1,688,292	1,997,595	2,058,289	838,067
Central	961,596	1,211,148	1,358,070	1,330,662	806,153	234,488	390,519	524,488	718,953	301,687
Operation of Non-Instructional Services	3,051,796	2,920,946	2,697,028	2,855,443	2,732,734	2,473,124	2,725,322	3,039,467	3,373,837	2,571,647
Extracurricular Activities	1,168,160	987,180	1,178,272	1,065,669	974,228	959,167	1,129,613	1,111,967	1,362,308	626,236
Interest and Fiscal Charges	26,930	56,430	47,986	49,997	69,213	66,312	24,129	23,994	957,888	1,501,259
Total Primary Government Expenses	\$50,272,417	\$50,986,815	\$51,653,303	\$51,587,516	\$47,290,562	\$48,949,572	\$48,979,418	\$50,620,828	\$57,944,882	\$34,020,873

Source: District Records

Sandusky City School District, Ohio
 Expenses, Program Revenues and Net (Expense)/Revenue
 Last Ten Fiscal Years
 (accrual basis of accounting)
 Schedule 2 (Continued)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction	\$1,269,069	\$1,342,013	\$1,202,149	\$1,096,887	\$1,297,573	\$1,368,131	\$1,397,406	\$1,360,636	\$1,448,617	\$2,077,702
Pupil	0	0	0	0	0	0	2	0	0	0
Instructional Staff	0	0	0	0	0	0	8	0	0	0
Operations and Maintenance	34,410	17,499	20,367	20,345	67,628	75,775	65,518	80,554	49,153	13,471
Operation of Non-Instructional Services	522,798	407,386	361,815	316,374	303,114	258,744	128,010	104,431	105,070	82,284
Extracurricular Activities	211,569	237,687	227,689	258,825	203,577	206,555	196,680	224,213	271,479	270,534
Operating Grants and Contributions	10,803,543	11,209,417	10,799,672	9,296,132	8,411,980	9,015,833	7,178,726	10,961,374	10,347,117	11,177,521
Capital Grants and Contributions	57,267	0	0	0	0	0	0	0	0	0
Total Primary Government Program Revenues	\$12,898,656	\$13,214,002	\$12,611,692	\$10,988,563	\$10,283,872	\$10,925,038	\$8,966,350	\$12,731,208	\$12,221,436	\$13,621,512
Net (Expense)/Revenue										
Total Government Net Expense	(\$37,373,761)	(\$37,772,813)	(\$39,041,611)	(\$40,598,953)	(\$37,006,690)	(\$38,024,534)	(\$40,013,068)	(\$37,889,620)	(\$45,723,446)	(\$20,399,361)

Source: District Records

Sandusky City School District, Ohio
 General Revenues and Total Change in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 Schedule 3

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue	(\$37,373,761)	(\$37,772,813)	(\$39,041,611)	(\$40,598,953)	(\$37,006,690)	(\$38,024,534)	(\$40,013,068)	(\$37,889,620)	(\$45,723,446)	(\$20,399,361)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes Levied for General Purposes	18,167,066	16,610,254	17,233,827	16,789,561	18,220,036	17,374,591	19,124,841	19,740,487	17,187,235	19,438,510
Property Taxes Levied for Debt Service Purposes	77,442	0	0	0	0	0	0	0	1,339,894	1,770,975
Property Taxes Levied for Special Revenue Purposes	0	0	0	0	0	0	0	0	165,834	219,185
Property Taxes Levied for Capital Projects Purposes	504,584	787,009	901,848	873,259	823,323	762,374	835,589	855,061	744,731	839,651
Grants and Entitlements Not Restricted	18,738,297	19,231,778	19,364,728	19,187,047	18,356,668	19,420,547	23,724,457	21,933,538	22,660,493	22,788,223
Payment in Lieu of Taxes	0	92,764	96,184	96,880	102,072	100,209	41,219	34,951	31,517	20,490
Unrestricted Contributions	0	73,476	119,684	83,824	104,515	66,046	89,974	100,065	146,995	84,378
Investment Earnings	168,072	40,751	64,347	40,283	9,650	26,696	7,666	19,599	67,359	390,086
Grants and Entitlements for Capital Construction	0	0	0	0	0	0	0	0	35,207,198	0
Other Revenues	335,074	706,190	111,656	377,483	589,425	1,491,820	1,195,035	597,022	387,671	853,556
Total Governmental Activities General Revenues	37,990,535	37,542,222	37,892,274	37,448,337	38,205,689	39,242,283	45,018,781	43,280,723	77,938,927	46,405,054
Change in Net Position	\$616,774	(\$230,591)	(\$1,149,337)	(\$3,150,616)	\$1,198,999	\$1,217,749	\$5,005,713	\$5,391,103	\$32,215,481	\$26,005,693

Source: District Records

Sandusky City School District, Ohio
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Schedule 4

	Fiscal Year									
	2009	2010	2011(1)	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$2,536,281	\$1,962,854								
Unreserved	(208,243)	(171,629)								
Nonspendable			81,158	\$81,158	\$64,541	\$0	\$0	\$30,961	\$0	\$4,671
Assigned			106,107	344,766	1,816,219	208,268	192,021	318,814	304,845	120,547
Unassigned			281,266	(1,381,982)	(2,580,760)	(897,206)	1,873,657	6,364,340	6,030,338	7,612,818
Total General Fund	2,328,038	1,791,225	468,531	(\$956,058)	(\$700,000)	(\$688,938)	\$2,065,678	\$6,714,115	\$6,335,183	\$7,738,036
All Other Governmental Funds										
Reserved	310,790	384,961								
Unreserved, Reported in:										
Special Revenue Funds	(190,478)	398,779								
Debt Service Funds	281,697	281,697								
Capital Project Funds	165,891	146,510								
Permanent Fund	86,415	87,613								
Nonspendable			18,674	\$18,950	\$22,129	\$10,000	\$10,000	\$13,452	\$10,000	\$10,594
Restricted			1,686,944	1,674,006	1,203,970	2,080,963	1,776,592	1,995,607	39,634,666	42,045,745
Assigned			26,673	26,673	26,673	26,673	26,673	26,673	26,673	26,673
Unassigned			(107,390)	(153,132)	(181,927)	(165,951)	(7,969)	(27,891)	(328,622)	(294,611)
Total All Other Governmental Funds	\$654,315	\$1,299,560	\$1,624,901	\$1,566,497	\$1,070,845	\$1,951,685	\$1,805,296	\$2,007,841	\$39,342,717	\$41,788,401

Source: District Records

(1) - Prior year amounts have not been restated for the implementation of GASB Statement 54. The change in the classification of fund balance are discussed in the Notes to the Financial Statements.

Sandusky City School District, Ohio
 Governmental Funds Revenues
 Last Ten Fiscal Years
 (Modified accrual basis of accounting)
 Schedule 5

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Taxes	\$18,657,994	\$16,889,092	\$18,130,698	\$17,743,250	\$19,140,681	\$18,307,878	\$20,137,379	\$21,221,664	\$19,719,291	\$22,425,968
Revenue in Lieu of Taxes	0	92,764	96,184	96,880	102,072	100,209	41,219	34,951	31,517	20,490
Tuition and Fees	1,037,870	1,293,012	1,152,390	1,091,477	1,288,703	1,354,777	1,387,475	1,348,300	1,417,570	2,063,686
Investment Earnings	131,761	40,751	64,347	38,593	15,592	26,696	8,975	19,599	67,017	416,541
Intergovernmental	29,247,646	31,035,507	30,435,115	28,730,119	26,822,780	28,166,554	30,835,766	32,759,032	32,912,425	42,398,993
Extracurricular Activities	215,229	224,471	217,955	253,148	203,122	203,708	189,331	220,360	293,590	267,030
Charges for Services	500,573	469,603	419,837	326,882	382,958	350,721	145,300	120,622	114,348	99,806
Gifts and Donations	0	0	0	0	0	100,000	200,000	150,000	142,994	340,837
Other Revenues	820,605	797,163	253,178	483,921	685,108	1,557,868	1,049,217	627,639	373,496	584,112
Total Revenues	\$50,611,678	\$50,842,363	\$50,769,704	\$48,764,270	\$48,641,016	\$50,168,411	\$53,994,662	\$56,502,167	\$55,072,248	\$68,617,463

Source: District Records

Sandusky City School District, Ohio
 Governmental Funds Expenditures and Debt Service Ratio
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Schedule 6

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction	\$30,591,006	\$32,033,762	\$32,600,905	\$31,433,897	\$29,676,350	\$31,348,010	\$32,880,203	\$32,050,211	\$34,562,996	\$35,467,908
Pupil	1,807,144	1,829,347	1,836,465	1,873,481	1,922,813	2,164,420	2,299,340	2,488,927	2,527,682	2,743,797
Instructional Staff	1,957,169	2,309,095	2,206,983	2,737,651	2,839,513	1,764,700	2,014,057	2,074,358	2,010,985	1,870,311
General Administration	219,506	274,123	237,888	194,969	162,727	203,832	194,630	183,299	203,529	356,839
School Administration	3,120,041	2,975,257	3,117,435	2,850,302	2,717,723	2,848,770	3,310,284	3,260,548	3,051,312	3,521,258
Fiscal	795,071	714,646	802,536	767,150	762,283	822,485	729,998	896,818	859,360	982,380
Business	164,658	198,493	156,735	154,978	131,178	273,063	138,848	175,532	187,197	190,215
Operation and Maintenance	3,744,485	3,363,834	3,543,944	3,243,341	2,927,716	3,056,465	3,155,450	3,151,264	3,268,133	3,240,959
Pupil Transportation	1,556,544	1,444,449	1,433,007	1,711,856	1,578,101	1,696,551	1,649,338	1,824,172	1,916,040	1,883,377
Central	942,876	1,162,619	1,332,429	1,335,052	1,581,951	629,014	383,971	481,530	625,776	645,043
Operation of Non-Instructional Services	3,012,506	2,925,210	2,678,475	2,846,582	2,812,178	2,508,004	2,759,075	3,012,464	3,296,384	3,081,942
Extracurricular Activities	1,048,179	978,170	1,169,547	1,057,148	1,141,822	1,047,831	1,166,587	1,118,836	1,264,795	1,343,161
Capital Outlay	783,844	773,940	412,540	463,250	273,498	607,530	548,266	776,465	453,540	6,940,545
Debt Service										
Principal Retirement	386,275	211,285	192,320	203,714	284,554	240,057	136,731	135,966	116,922	975,000
Interest and Fiscal Charges	27,431	56,430	47,986	49,997	69,213	66,312	24,129	23,994	668,033	1,550,659
Total Expenditures	\$50,156,735	\$51,250,660	\$51,769,195	\$50,923,368	\$48,881,620	\$49,277,044	\$51,390,907	\$51,654,384	\$55,012,684	\$64,793,394

Debt Service as a Percentage of Noncapital Expenditures 0.83% 0.53% 0.47% 0.50% 0.73% 0.65% 0.32% 0.31% 1.44% 4.39%

Source: District Records

Sandusky City School District, Ohio
 Other Financing Sources and Uses and Net Change in Fund Balances
 Governmental Funds,
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Schedule 7

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses):										
Issuance of Capital Leases	\$0	\$516,633	\$0	\$674,475	\$0	\$0	\$0	\$0	\$0	\$0
Premium on Bonds Sold	0	0	0	0	0	0	0	0	2,733,858	0
Proceeds From Sale of Bonds	0	0	0	0	0	0	0	0	34,150,000	0
Proceeds from Sale of Capital Assets	15,371	96	2,138	1,630	1,010	535	4,472	3,199	12,522	24,468
Transfers In	0	56,952	271,377	75,000	40,719	1,976	40,000	16,513	19,999,836	110,240
Transfers (Out)	(26)	(56,952)	(271,377)	(75,000)	(40,719)	(1,976)	(40,000)	(16,513)	(19,999,836)	(110,240)
Total Other Financing Sources (Uses)	15,345	516,729	2,138	676,105	1,010	535	4,472	3,199	36,896,380	24,468
Net Change in Fund Balances	\$470,288	\$108,432	(\$997,353)	(\$1,482,993)	(\$239,594)	\$891,902	\$2,608,227	\$4,850,982	\$36,955,944	\$3,848,537

Source: District Records

Sandusky City School District, Ohio
 Assessed Value and Actual Value of Taxable Property
 Last Ten Calendar Years (1)
 Schedule 8

Calendar Year	Real Property Assessed Value	Tangible Personal Property Assessed Value	Public Utilities Personal Assessed Value	Total Assessed Value	Total Estimated Actual Value	Total Direct Rate
2008	\$476,798,370	\$16,445,780	\$11,862,000	\$505,106,150	\$1,443,160,429	76.85
2009	472,478,410	13,774,340	12,639,290	498,892,040	1,425,405,829	76.90
2010	474,487,430	0	13,386,270	487,873,700	1,393,924,857	76.90
2011	470,895,600	0	14,018,140	484,913,740	1,385,467,829	76.91
2012	444,717,630	0	15,218,660	459,936,290	1,314,103,686	82.03
2013	443,263,180	0	16,854,120	460,117,300	1,314,620,857	82.03
2014	442,355,190	0	17,826,120	460,181,310	1,314,803,743	82.03
2015	434,803,970	0	24,933,580	459,737,550	1,313,535,857	82.03
2016	439,675,310	0	20,622,650	460,297,960	1,315,137,029	86.57
2017	439,938,320	0	21,783,450	461,721,770	1,319,205,057	86.57

Source: County Auditor

(1) - Assessed values shown in this schedule will not agree to amounts in the notes to the financial statements, since the schedules are shown on a calendar year basis, which is consistent with the method county auditors maintain this information.

Note: The assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property is assessed at 25 percent for everything except inventories, which are assessed at 23 percent. Property is assessed annually.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue to be received in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10 percent, 2 1/2 percent and homestead exemptions before being billed. House Bill 66 phased out tangible personal property with the last collection during 2010. Telephone personal property was assessed at 10% for 2009, 5% for 2010, and eliminated in 2011.

Sandusky City School District, Ohio
 Direct and Overlapping Property Tax Rates
 Last Ten Calendar Years
 Schedule 9

Calendar Year	District Direct Rates (1)	Overlapping Rates (1)		
		Erie County	City of Sandusky	Library
2008	76.85	8.80	4.25	0.70
2009	76.90	8.80	4.25	1.50
2010	76.90	8.80	4.25	1.50
2011	76.91	8.80	4.25	1.50
2012	82.03	8.80	4.25	1.50
2013	82.03	8.80	4.25	1.50
2014	82.03	8.90	4.25	1.50
2015	82.03	9.10	5.25	1.50
2016	86.57	9.10	5.25	1.50
2017	86.57	9.10	5.25	1.50

Source: County Auditor

(1) - The components that make up the District Direct Rate were not available from the County Auditor, only the Total Direct Rate is available.

Note: Rates may only be raised by obtaining the approval of a majority of the voters at a public election.

Sandusky City School District, Ohio
Principal Property Tax Payers
Current and Nine Calendar Years Ago
Schedule 10

2017		
Taxpayer	Assessed Value	Percentage of Total Assessed Value
Cedar Point Park LLC	\$38,314,120	8.30%
Ohio Edison Company	12,391,130	2.68%
Norfolk & Western Railway Company	5,733,680	1.24%
Fireland Regional Medical Center	4,100,890	0.89%
Columbia Gas of Ohio	4,083,540	0.88%
Key Real Estate Ltd	2,309,950	0.50%
American Transmission Systems Inc	4,147,980	0.90%
Sandusky Housing	1,841,850	0.40%
S&S Reality Ltd.	2,666,030	0.58%
Myers Industries Inc.	2,055,720	0.45%
	<u>\$77,644,890</u>	<u>16.82%</u>

2008		
Taxpayer	Assessed Value	Percentage of Total Assessed Value
Cedar Fair LP	\$41,593,950	8.23%
Ohio Edison Company	8,568,260	1.70%
Fireland Regional Medical Center	6,798,420	1.35%
Norfolk & Western Railway Company	4,988,540	0.99%
S&S Reality Ltd.	3,595,000	0.71%
Key Real Estate Ltd	3,697,930	0.73%
CNL Income Sandusky Marina	2,494,360	0.49%
Myers Industries	2,291,000	0.45%
Providence Care Center	2,194,100	0.43%
Sandusky Limited	1,835,400	0.36%
	<u>\$78,056,960</u>	<u>15.45%</u>

Source: County Auditor

Sandusky City School District, Ohio
Property Tax Levies and Collections
Last Ten Calendar Years
Schedule 11

Calendar Year (1)	Taxes Levied for the Calendar Year	Collected within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount (2)	Percentage of Levy		Amount	Percentage of Levy
2008	\$19,473,593	\$18,217,297	93.55%	\$997,192	\$19,214,489	98.67%
2009	19,576,235	18,305,209	93.51%	901,441	19,206,650	98.11%
2010	20,126,714	18,994,615	94.38%	1,132,099	20,126,714	100.00%
2011	20,271,460	18,904,661	93.26%	1,106,137	20,010,798	98.71%
2012	23,609,523	20,103,937	85.15%	819,623	20,923,560	88.62%
2013	25,624,152	22,180,851	86.56%	1,122,650	23,303,501	90.94%
2014	25,586,853	22,316,070	87.22%	1,208,385	23,524,455	91.94%
2015	25,790,953	22,562,329	87.48%	1,024,376	23,586,705	91.45%
2016	25,907,539	23,418,250	90.39%	1,077,727	24,495,977	94.55%
2017	26,786,094	24,784,097	92.53%	1,143,322	25,927,419	96.79%

Source: County Auditor

(1) - Per county auditor, amounts in earlier years based on fiscal years; amounts have been readjusted to reflect calendar year.

(2) - State reimbursements of rollback and homestead exemptions are included

Sandusky City School District, Ohio
 Outstanding Debt by Type
 Last Ten Fiscal Years
 Schedule 12

Fiscal Year	Governmental Activities			Debt Service Fund Balance	Net Bonded General Obligation Bonds	Net Bonded Debt Per Capita	Ratio of Net Bonded Debt to Actual Value of Taxable Property (1)	Total Outstanding Debt	Percentage of Total Debt to Personal Income (1)	Total Debt Per Capita (1)
	General Obligation Bonds	Capital Leases	Capital Leases							
2009	\$0	\$330,441	\$0	\$281,697	\$0	\$0.00	0.00%	\$330,441	0.02%	\$11.87
2010	0	635,789	0	281,697	0	0.00	0.00%	635,789	0.04%	22.83
2011	0	443,469	0	11,895	0	0.00	0.00%	443,469	0.03%	17.19
2012	0	914,230	0	11,895	0	0.00	0.00%	914,230	0.07%	17.19
2013	0	629,676	0	11,895	0	0.00	0.00%	629,676	0.05%	24.41
2014	0	389,619	0	11,895	0	0.00	0.00%	389,619	0.03%	15.11
2015	0	252,888	0	11,895	0	0.00	0.00%	252,888	0.02%	9.80
2016	0	116,922	0	11,895	0	0.00	0.00%	116,922	0.01%	4.53
2017	36,883,858	0	34,665,339	2,218,519	1,343.98	1,343.98	2.64%	36,883,858	2.80%	1,429.99
2018	35,897,929	0	34,392,121	1,505,808	1,333.39	1,333.39	2.61%	35,897,929	2.72%	1,391.77

Source: District Records

(1) - On the calendar year basis

Sandusky City School District, Ohio
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2018
 Schedule 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Direct and Overlapping Debt
Erie County	\$15,299,670	22.20%	\$3,396,527
Sandusky City	<u>12,212,050</u>	100.00%	<u>12,212,050</u>
Subtotal, Overlapping Debt	<u>27,511,720</u>		<u>15,608,577</u>
District Direct Debt	<u>33,175,000</u>	100.00%	<u>33,175,000</u>
Total Direct and Overlapping Debt	<u><u>\$60,686,720</u></u>		<u><u>\$48,783,577</u></u>

Source: Ohio Municipal Advisory Council

(1) - Percentages were determined by dividing the assessed valuation of the overlapping government located within the boundaries of the School District by the total assessed valuation of the government.

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value (1)	\$461,721,770
Debt limit (9% of assessed value)	41,554,959
Debt applicable to limit	31,669,192
Net Debt Applicable to Limit	31,669,192
Legal debt margin	\$9,885,767

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$45,459,554	\$44,900,284	\$43,908,633	\$43,642,237	\$41,394,266	\$41,410,557	\$41,416,318	\$41,376,380	\$41,426,816	\$41,554,959
Total Net Debt Applicable to Limit	0	0	0	0	0	0	0	0	31,931,481	31,669,192
Legal Debt Margin	\$45,459,554	\$44,900,284	\$43,908,633	\$43,642,237	\$41,394,266	\$41,410,557	\$41,416,318	\$41,376,380	\$9,495,335	\$9,885,767

Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	77.08%	76.21%
--	-------	-------	-------	-------	-------	-------	-------	-------	--------	--------

Source: District Records

(1) - Assessed values are on a calendar year basis (i.e. fiscal year 2017 is calendar year 2016)

Sandusky City School District, Ohio
 Demographic and Economic Statistics
 Last Ten Calendar Years
 Schedule 15

Calendar Year	Population (1)	Personal Income (Thousands of Dollars) (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
2008	27,844	\$2,827,187	\$36,446	7.3%
2009	27,844	2,693,239	34,939	11.5%
2010	25,793	2,786,959	36,177	10.4%
2011	25,793	2,928,925	38,161	8.7%
2012	25,793	3,112,036	40,735	7.3%
2013	25,793	3,201,413	42,097	7.5%
2014	25,793	3,260,811	43,003	6.2%
2015	25,793	3,723,307	49,283	5.0%
2016	25,793	3,471,576	46,222	5.9%
2017	25,793	4,799,998	64,157	5.0%

- Sources:
- (1) - Population estimates provided by U.S. Census Bureau
 - (2) - Personal Income information provided by Bureau of Economic Analysis: Regional Economic Accounts for Erie County
 - (3) - Per Capita Personal Income information provided by Bureau of Economic Analysis: Regional Economic Accounts for Erie County
 - (4) - Ohio Department of Job and Family Services - Office of Workforce Development - Bureau of Labor Market Information -- Annual Average for Erie County

Sandusky City School District, Ohio
 Major Employers (1)
 Current and Nine Calendar Years Ago
 Schedule 16

2017

Major Employers (2)	Type	Number of Employees	Employer's Percentage of Total Employment
Cedar Fair/Cedar Point	Entertainment	(3)	(4)
Firelands Regional Medical Center	Service	(3)	(4)
Sandusky City Schools	Government	(3)	(4)
Erie County Government	Government	(3)	(4)
Providence Care Center	Service	(3)	(4)
Kyklos Bearing Inc	Manufacturing	(3)	(4)
Lewco, Inc.	Manufacturing	(3)	(4)
Stein Hospice Service	Service	(3)	(4)
Sandusky International, Inc.	Manufacturing	(3)	(4)
Okamoto Sandusky Manufacturing	Manufacturing	(3)	(4)

2008

Major Employers (2)	Type	Number of Employees	Employer's Percentage of Total Employment
Mangnum Management Corp.	Entertainment	6,195	50.37%
Firelands Regional Health System	Hospital	1,600	13.01%
Sandusky Board of Education	Education	857	6.97%
Erie County	Government	727	5.91%
Delphi Automotive System	Automotive	500	4.07%
City of Sandusky	Government	318	2.59%
FMC Food Tech	Food Equipment	310	2.52%
Lewco, Inc.	Manufacturing	251	2.04%
Sandusky International Inc	Manufacturing	144	1.17%
Sandusky Limited	Port Facilities	130	1.06%

Source: Ohio Department of Development

(1) - Major Employers for all of Erie County

(2) - Includes at minimum the ten largest employers for the county

(3) - Number of Employees not available for 2017

(4) - Employer's Percentage of Total Employment not available for 2017

Sandusky City School District, Ohio
 Certificated Staff Training
 Last Ten Fiscal Years
 Schedule 17

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Certificated Staff Training										
Bachelors Degree	39	39	19	15	13	18	21	30	35	40
Bachelors Degree +12	21	21	16	10	7	8	10	11	18	20
Bachelors Degree +24	72	72	64	52	43	36	38	37	41	15
Masters Degree	108	108	100	88	69	66	63	54	62	73
Masters Degree +12	48	48	62	54	58	55	55	51	59	35
Masters Degree +24	71	71	67	60	68	68	72	76	88	90
Total Certificated Staff Training	359	359	328	279	258	251	259	259	303	273

Source: District Records

Sandusky City School District, Ohio
 Full Time Equivalents (FTE) by Function/Program
 Last Ten Fiscal Years
 Schedule 18

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration:	25	25	27	27	26	26	28	28	32	30
Adult Education:	6	6	6	6	5	5	5	5	4	7
Certificated Staff:										
Teaching Staff:										
Preschool	5	6	5	5	5	5	7	6	7	7
Elementary School K-6	132	130	128	107	107	107	119	120	120	128
Jr. High School 7-8	43	48	34	40	34	34	28	29	35	32
High School 9-12	92	93	92	82	66	61	54	63	66	61
Tutors	26	26	27	15	15	13	13	15	20	21
Others	15	30	27	12	15	15	22	9	0	0
Auxiliary Positions:										
Counselors	9	9	9	8	7	7	7	7	7	7
Speech Therapists	5	4	4	6	6	6	6	6	6	6
Psychologists	4	4	4	4	3	3	3	4	6	4
Total Certified Staff	331	350	330	279	258	251	259	259	303	273
Support Staff:										
Secretarial	33	33	32	31	32	36	30	26	37	37
Teacher Aides	38	30	50	40	39	39	52	50	50	55
Technical	1	1	1	1	1	1	2	1	1	1
Cafeteria Workers	34	34	30	29	23	23	25	25	25	27
Custodial	30	30	29	24	22	21	22	23	25	23
Maintenance	4	4	4	4	4	4	4	4	4	3
Bus Driver	33	33	30	32	31	30	26	25	28	26
Mechanics	2	2	2	2	1	1	1	2	2	2
Total Support Staff	175	167	178	163	153	155	162	156	172	174
Grand Total	537	548	541	475	442	437	454	448	475	484

Source: District Records

Sandusky City School District, Ohio
 Operating Statistics
 Last Ten Fiscal Years
 Schedule 19

Fiscal Year	Enrollment	Operating Expenditure (1)	Expenses (2)	Cost Per Pupil (3)	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Student Attendance Percentage	Percentage of Students Receiving Free or Reduced-Price Meals
2009	3,641	\$48,986,616	\$50,272,417	\$13,454	3.91%	313	12	94.00%	71.00%
2010	3,451	50,265,435	50,986,815	14,565	4.82%	333	10	94.00%	74.10%
2011	3,400	51,164,335	51,653,303	15,048	(1.18%)	330	10	93.70%	68.32%
2012	3,811	50,256,404	51,587,516	13,187	(2.73%)	279	14	93.70%	69.77%
2013	3,855	48,323,568	47,290,562	12,535	1.14%	258	15	94.20%	76.34%
2014	3,291	48,429,457	48,949,572	14,716	17.40%	251	13	93.90%	77.73%
2015	3,366	50,681,781	48,979,418	15,057	2.32%	259	13	94.30%	100.00%
2016	3,877	50,717,959	50,620,828	13,082	(13.12%)	259	15	94.30%	100.00%
2017	3,760	53,774,189	57,944,882	14,302	9.33%	303	12	95.80%	100.00%
2018	3,755	55,327,190	34,020,873	14,736	3.03%	303	12	93.20%	100.00%

Source: District Records

(1) - Operating Expenditure is Total Expenditures minus Capital Outlay and Debt Service from Schedule 6

(2) - Expenses is Total Expenses from Schedule 2

(3) - Operating Expenditure by Enrollment.

THIS PAGE INTENTIONALLY LEFT BLANK

Sandusky City School District, Ohio
 School Building Information
 Last Ten Fiscal Years
 Schedule 20

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
School										
Elementary:										
Hancock Elementary (1923/1928/1931/1949/1966)										
Square feet	47,223	47,223	47,223	47,223	47,223	47,223	47,223	47,223	47,223	47,223
Capacity	525	525	525	525	525	525	525	525	525	525
Enrollment	324	327	327	349	343	409	462	496	485	423
Percent of Capacity (1)	62%	62%	62%	66%	65%	78%	88%	94%	92%	92%
Madison Elementary (1939/1991)										
Square feet	29,937	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Capacity	250	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Enrollment	151	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Percent of Capacity (1)	60%	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Mills Elementary (1954/1991)										
Square feet	38,605	38,605	38,605	38,605	38,605	38,605	38,605	38,605	38,605	38,605
Capacity	475	475	475	475	475	475	475	475	475	475
Enrollment	288	333	333	305	316	371	390	424	412	378
Percent of Capacity (1)	61%	70%	70%	64%	67%	78%	82%	89%	87%	80%
Monroe Elementary (1894/1903/1991)										
Square feet	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Capacity	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Enrollment	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Percent of Capacity (1)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Ontario Elementary (1952/1968)										
Square feet	42,347	42,347	42,347	42,347	42,347	42,347	42,347	42,347	42,347	0
Capacity	500	500	500	500	500	500	500	500	500	0
Enrollment	377	415	415	422	429	452	440	420	396	0
Percent of Capacity (1)	75%	83%	83%	84%	86%	90%	88%	84%	79%	0%
Osborne Elementary (1890/1991)										
Square feet	43,842	43,842	43,842	43,842	43,842	43,842	43,842	43,842	43,842	43,842
Capacity	375	375	375	375	375	375	375	375	375	375
Enrollment	280	340	340	385	374	380	371	384	383	353
Percent of Capacity (1)	75%	91%	91%	103%	100%	101%	99%	102%	102%	94%

Source: District Records

- (1) - Enrollment divided by Capacity
- (2) - School closed
- (3) - Building Sold

Sandusky City School District, Ohio
 School Building Information
 Last Ten Fiscal Years
 Schedule 20 (continued)

School	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary (continued):										
Venice Heights Elementary (1970)										
Square feet	43,740	43,740	43,740	43,740	43,740	43,740	43,740	43,740	43,740	43,740
Capacity	550	550	550	550	550	550	550	550	550	550
Enrollment	389	408	408	402	363	403	399	390	345	279
Percent of Capacity (1)	71%	74%	74%	73%	66%	73%	73%	71%	62%	51%
Junior High:										
Adams Jr. High (1867/1914/1977)										
Square feet	91,935	91,935	91,935	91,935	91,935	91,935	91,935	91,935	91,935	91,935
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	241	450	450	444	444	444	444	444	444	367
Percent of Capacity (1)	48%	90%	90%	89%	89%	89%	89%	89%	89%	1
High School:										
Sandusky High School (1957/1967/1970/1973)										
Square feet	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000
Capacity	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Enrollment	1,276	1,119	1,119	861	1,170	1,276	1,304	1,219	1,323	848
Percent of Capacity (1)	57%	50%	50%	38%	52%	57%	58%	54%	59%	38%
Alternative School:										
Baker Alternative School (1874/1924)										
Square feet	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Capacity	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Enrollment	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Percent of Capacity (1)	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)

Source: District Records

- (1) - Enrollment divided by Capacity
- (2) - School closed
- (3) - Building Sold



Rea & associates *a brighter way*

Sandusky City School District

Erie County, Ohio

*Reports Issued Pursuant to
Government Auditing Standards
And Uniform Guidance*

For the Fiscal Year Ended
June 30, 2018

This page intentionally left blank.

Sandusky City School District
Erie County, Ohio
Table of Contents
For the Fiscal Year Ended June 30, 2018

	<i>Page</i>
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Corrective Action Plan	10
Schedule of Prior Audit Findings	11

This page intentionally left blank.

December 27, 2018

To the Board of Education and Management
Sandusky City School District
Erie County, Ohio
407 Decatur Street
Sandusky, OH 44870

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandusky City School District, Erie County, Ohio (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 27, 2018, in which we noted the District restated net position balance to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

December 27, 2018

To Board of Education and Management
Sandusky City School District
Erie County, Ohio
407 Decatur Street
Sandusky, OH 44870

**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited the Sandusky City School District's, Erie County, Ohio (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sandusky City School District, Erie County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise District's basic financial statements. We issued our report thereon dated December 27, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hea & Associates, Inc.

Medina, Ohio

This page intentionally left blank.

Sandusky City School District
Erie County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Disbursements	Passed Through to Subrecipients
U.S. Department of Education				
<i>Direct Program</i>				
<i>Student Financial Aid Cluster</i>				
Federal Pell Grant Program	84.063	2018	\$ 347,613	\$ 0
Federal Direct Student Loans	84.268	2018	756,341	0
<i>Total Student Financial Aid Cluster</i>			<u>1,103,954</u>	<u>0</u>
<i>Passed Through Ohio Board of Regents:</i>				
Adult Education - Basic Grants to States	84.002	2017	8,473	0
Adult Education - Basic Grants to States	84.002	2018	98,829	0
<i>Total Adult Education - Basic Grants to States</i>			<u>107,302</u>	<u>0</u>
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	2017	357,257	0
Title I Grants to Local Educational Agencies	84.010	2018	1,628,788	0
<i>Total Title I</i>			<u>1,986,045</u>	<u>0</u>
<i>Special Education Cluster</i>				
IDEA-B	84.027	2017	119,233	0
IDEA-B	84.027	2018	792,667	0
<i>Total IDEA-B</i>			<u>911,900</u>	<u>0</u>
Preschool Grants	84.173	2017	7,209	0
Preschool Grants	84.173	2018	29,035	0
<i>Total Preschool Grants</i>			<u>36,244</u>	<u>0</u>
<i>Total Special Education Cluster</i>			<u>948,144</u>	<u>0</u>
Career and Technical Education - Basic Grants to States	84.048	2017	2,295	0
Career and Technical Education - Basic Grants to States	84.048	2018	95,760	0
<i>Total Career and Technical Education - Basic Grants to States</i>			<u>98,055</u>	<u>0</u>
Title II-A Improving Teacher Quality	84.367	2017	29,384	0
Title II-A Improving Teacher Quality	84.367	2018	114,408	0
<i>Total Title II-A Improving Teacher Quality</i>			<u>143,792</u>	<u>0</u>
Title IV-A - Student Support and Academic Enrichment	84.424	2018	16,636	0
Title V-B Rural and Low Income	84.358	2018	62,869	0
Total U.S. Department of Education			<u>4,466,797</u>	<u>0</u>
U. S. Department of Agriculture				
(Passed Through Ohio Department of Education):				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
School Breakfast Program	10.553	2018	33,319	0
National School Lunch Program	10.555	2018	84,705	0
<i>Non-Cash Assistance Subtotal:</i>			<u>118,024</u>	<u>0</u>
<i>Cash Assistance:</i>				
School Breakfast Program	10.553	2018	558,503	0
National School Lunch Program	10.555	2018	1,419,869	0
<i>Cash Assistance Subtotal:</i>			<u>1,978,372</u>	<u>0</u>
<i>Total Child Nutrition Cluster</i>			<u>2,096,396</u>	<u>0</u>
Child and Adult Care Food Program	10.558	2018	20,504	0
Total U.S. Department of Agriculture			<u>2,116,900</u>	<u>0</u>
Total Federal Assistance			<u>\$ 6,583,697</u>	<u>\$ 0</u>

See accompanying notes to schedule of expenditures of federal awards.

Sandusky City School District
Erie County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected 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. 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 programs that benefitted from the use of those donated food commodities.

NOTE E - FEDERAL DIRECT LOAN PROGRAM

The District participates in the William D. Ford Federal Direct Loan Program. The District originates the loans which are then funded through the U.S. Department of Education.

Federal Subsidized Loans	\$ 257,676
Federal Unsubsidized Loans	493,433
Federal Plus Loans	<u>5,232</u>
Total Federal Direct Student Loans	<u>\$ 756,341</u>

Sandusky City School District
Erie County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Child Nutrition Cluster: School Breakfast Program National School Lunch Program Student Financial Aid Cluster: Federal Pell Grant Program Federal Direct Student Loans	CFDA # 10.553 10.555 84.063 84.268
(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

Sandusky City School District
Erie County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2018
(Continued)

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

Finding Number: 2018-001

Significant Deficiency – Internal Control over Financial Reporting

Criteria: The District’s management is responsible for designing and implementing internal controls over financial reporting.

Condition: We identified the following errors requiring adjustment to the basic financial statements and/or notes to the basic financial statements for the fiscal year ended June 30, 2018.

Services provided prior to June 30, 2018 were improperly excluded from accounts payable in the Classroom Facilities Fund. Services provided after June 30, 2018 were improperly included in accounts payable in the Building Fund. Classroom Facilities Fund accounts payable and capital outlay expense were understated by \$212,741. Building Fund accounts payable and capital outlay expense were overstated by \$356,818.

Correspondingly, Governmental Activities accounts payable and construction in progress in capital assets were overstated by \$144,077.

Cause: These errors were not identified and corrected prior to the District preparing its basic financial statements due to deficiencies in the District’s internal controls over financial statement monitoring.

Effect: The accompanying basic financial statements and notes to the basic financial statements have been adjusted to reflect these changes. Additional insignificant errors were also noted for the fiscal year ended June 30, 2018.

Recommendations: To ensure the Districts financial statements and notes to the financial statements are complete and accurate, the District should adopt procedures, including a final review of the statements, GAAP conversion work papers, and note disclosures to identify and correct errors and omissions.

Management Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None noted.



Sandusky City Schools

407 Decatur Street | Sandusky, Ohio 44870-2442 | 419-984-1005

*Gina Deppert
Treasurer/CFO*

Sandusky City School District
Erie County, Ohio
Corrective Action Plan
2 CFR § 200.511(c)
June 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Management will review year-end financial reports with the third-party compilation provider to determine that proper cutoff is achieved.	July 31, 2019	Gina Deppert, Treasurer



Sandusky City Schools

407 Decatur Street | Sandusky, Ohio 44870-2442 | 419-984-1005

*Gina Deppert
Treasurer/CFO*

**Sandusky City School District
Erie County, Ohio**

Schedule of Prior Audit Findings

2 CFR Section 200.511(b)

June 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Significant Deficiency – Internal Controls over Financial Reporting	Repeated as Finding 2018-001	Items identified in the prior audit that required adjustment were corrected in current years' financial statement. Finding issued in 2018 related to other areas of the financial statements.

OHIO AUDITOR OF STATE KEITH FABER



SANDUSKY CITY SCHOOL DISTRICT

ERIE 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
FEBRUARY 26, 2019**