TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY
JUNE 30, 2018

TABLE OF CONTENTS

TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY
JUNE 30, 2018

TABLE OF CONTENTS
(Continued)

OHIO AUDITOR OF STATE
KEITH FABER

INDEPENDENT AUDITOR'S REPORT

Tuslaw Local School District
Stark County
1835 Manchester Avenue NW
Massillon, Ohio 44647

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

April 17, 2019

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Revenues for governmental activities totaled $15,810,626 in fiscal year 2018. Of this total, 81 percent consisted of general revenues while program revenues accounted for the balance of 19 percent.

- The School District was awarded a Safety Grant from the Ohio Attorney General's office in the amount of $7,673, which will be utilized for various safety and security initiatives at the School District, including a school resource officer. Additionally, the School District was awarded an Ohio EPA grant which allowed for the purchase of four school buses, with reimbursement for three of them.

- During fiscal year 2018, the School District entered into a lease-purchase financing, in the amount of $2.5 million, for the replacement of the Tuslaw High School roof. As of June 30, 2018, $2,447,297 of the proceeds were unspent.

Using these Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the statement of net position and the statement of activities, the School District is classified into governmental activities. All of the School District's non-fiduciary programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District's major funds are described on page 11. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the building fund.

Governmental Funds

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

The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017:

Table 1
Net Position

	Governmental Activities		
	2018	Restated 2017	Change
Assets			
Current and Other Assets	$17,936,450	$14,393,663	$3,542,787
Capital Assets, Net	23,456,291	24,053,768	(597,477)
Total Assets	41,392,741	38,447,431	2,945,310
Deferred Outflows of Resources			
Deferred Charge on Refunding	282,560	313,217	(30,657)
Pension	4,238,014	3,686,831	551,183
OPEB	145,155	27,709	117,446
Total Deferred Outflows of Resources	4,665,729	4,027,757	637,972
Liabilities			
Current Liabilities	1,727,355	1,655,658	(71,697)
Long-Term Liabilities:			
Due Within One Year	952,175	745,199	(206,976)
Due in More Than One Year	12,843,869	11,027,678	(1,816,191)
Net Pension Liability	14,561,890	20,687,945	6,126,055
Net OPEB Liability	3,301,131	4,211,426	910,295
Total Liabilities	33,386,420	38,327,906	4,941,486
Deferred Inflows of Resources			
Property Taxes	6,316,368	5,965,197	(351,171)
Pension	1,155,714	205,205	(950,509)
OPEB	482,328	0	(482,328)
Total Deferred Inflows of Resources	7,954,410	6,170,402	(1,784,008)
Net Position			
Net Investment in Capital Assets	13,970,759	13,970,786	(27)
Restricted	1,612,080	1,672,033	(59,953)
Unrestricted (Deficit)	(10,865,199)	(17,665,939)	6,800,740
Total Net Position	$4,717,640	($2,023,120)	$6,740,760

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $2,160,597 to ($2,023,120).

Total assets increased in fiscal year 2018 due to increases in cash and cash equivalents and taxes receivable; however, total asset increases were offset slightly by a decrease in net capital assets. In fiscal year 2013, there were significant additions to buildings and improvements, as the Tuslaw Elementary School building was completed. In fiscal year 2018, these assets and others continue to be depreciated. After factoring in annual depreciation on capital assets, the category shows an overall decrease.

Liabilities decreased in fiscal year 2018. The category primarily responsible for this decrease was the net pension liability line item. The net pension liability decrease represents the School District's proportionate share of the pension plans' unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. This was slightly offset by the new issuance of the lease-purchase financing.

The School District's expense per pupil has historically been one of the lowest in the State. The School District has always spent funds cautiously. Due to the unresolved funding issue of the State and the School District continually being required to implement unfunded State and Federal mandates, the School District is reliant upon additional property tax dollars to cover operating costs. The School District's voters passed a 7.0 mill renewal levy which was on the November, 2014 ballot. This renewal levy will generate approximately $1.2 million annually for the purpose of current operating expenses.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled $12,819,758 of the total revenue. The most significant portion of the general revenue is local property tax and State support. The remaining amount of revenue received was in the form of program revenues, which equated to $2,990,868 of total revenue.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

Table 2
Changes in Net Position

	Governmental Activities		
	2018	2017	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	$1,925,139	$2,090,418	($165,279)
Operating Grants and Contributions	1,065,729	1,372,306	(306,577)
Total Program Revenues	2,990,868	3,462,724	(471,856)
General Revenues:			
Property Taxes	6,351,804	6,224,326	127,478
Grants and Entitlements	6,356,805	6,344,774	12,031
Donations	2,050	0	2,050
Investments	102,418	41,889	60,529
Miscellaneous	6,681	14,540	(7,859)
Total General Revenues	12,819,758	12,625,529	194,229
Total Revenues	$15,810,626	$16,088,253	($277,627)
Program Expenses			
Instruction:			
Regular	2,833,552	6,438,086	3,604,534
Special	1,092,556	2,156,738	1,064,182
Vocational	40,560	111,068	70,508
Student Intervention Services	5,900	3,864	(2,036)
Support Services:			
Pupils	728,729	963,173	234,444
Instructional Staff	177,254	450,410	273,156
Board of Education	161,297	17,663	(143,634)
Administration	193,537	1,060,576	867,039
Fiscal	374,644	407,738	33,094
Business	42,215	43,053	838
Operation and Maintenance of Plant	1,075,567	1,216,911	141,344
Pupil Transportation	804,038	835,588	31,550
Central	59,475	68,296	8,821
Operation of Non-Instructional Services	539,774	618,738	78,964
Extracurricular Activities	518,411	841,246	322,835
Interest and Fiscal Charges	422,357	397,531	(24,826)
Total Program Expenses	9,069,866	15,630,679	6,560,813
Change in Net Position	6,740,760	457,574	6,283,186
Net Position Beginning of Year - Restated	(2,023,120)	NA	
Net Position End of Year	$4,717,640	($2,023,120)	$6,740,760

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 $27,709 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 $508,513. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$9,069,866
Negative OPEB expense under GASB 75	508,513
2018 contractually required contribution	36,900
Adjusted 2018 program expenses	9,615,279
Total 2017 program expenses under GASB 45	15,630,679
Decrease in program expenses not related to OPEB	($6,015,400)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption (see Note 12). As a result of these changes, pension expense decreased from $1,583,374 in fiscal year 2017 to a negative pension expense of $4,725,805 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	$2,562,135
Special	674,304
Vocational	55,629
Support Services:	
Pupils	169,475
Instructional Staff	258,972
Board of Education	119
Administration	638,067
Fiscal	18,459
Operation and Maintenance of Plant	37,154
Pupil Transportation	36,916
Operation of Non-Instructional Services	19,282
Extracurricular Activities	255,293
Total Expenses	$4,725,805

Governmental Activities

The School District carefully plans its financial existence by forecasting its revenues and expenses for the next five years. The School District has a limited levy for a total of 7.5 mills, which currently generates an estimated $829,190 in revenue annually and was renewed during fiscal year 2013. The School District passed a five year emergency levy in May 2014 that generates approximately $1.2 million annually. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, approximately 44 percent of the School District's total expenses are instructional expenses. Additional support services for pupils, staff and business operations encompass an additional 40 percent. The remaining amount of program expenses, 16 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities. Actual expenses were consistent with expectations of the School District.

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

Table 3
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Governmental Activities:				
Instruction:				
Regular	$2,833,552	$2,195,924	$6,438,086	$5,730,306
Special	1,092,556	246,267	2,156,738	1,064,383
Vocational	40,560	4,663	111,068	75,791
Student Intervention Services	5,900	5,325	3,864	3,419
Support Services:				
Pupils	728,729	570,930	963,173	763,709
Instructional Staff	177,254	124,676	450,410	383,168
Board of Education	161,297	146,538	17,663	15,648
Administration	193,537	83,623	1,060,576	935,213
Fiscal	374,644	335,821	407,738	364,081
Business	42,215	38,104	43,053	38,094
Operation and Maintenance of Plant	1,075,567	959,203	1,216,911	1,094,084
Pupil Transportation	804,038	705,444	835,588	728,602
Central	59,475	53,683	68,296	60,429
Operation of Non-Instructional Services	539,774	44,274	618,738	27,790
Extracurricular Activities	518,411	142,166	841,246	485,707
Interest and Fiscal Charges	422,357	422,357	397,531	397,531
Total	$9,069,866	$6,078,998	$15,630,679	$12,167,955

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 40 percent of total revenues are comprised of local property taxes. Grants and entitlements make up another 40 percent while program revenues only account for 19 percent of all governmental revenues. The other 1 percent is generated through donations, investment income, and other miscellaneous revenues.

The School District's Funds

Information regarding the School District's major funds can be found beginning on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues totaling $15,889,030 and expenditures totaling $15,182,896. The general fund balance increased by $752,857 even though revenues decreased from the prior fiscal year and expenditures increased. The building fund balance increased by $2,455,799 as the fund received $2.5 million from a lease-purchase financing.

General Fund Budgeting Highlights

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

The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management.

For the general fund, there was no change from the original budget basis estimated revenues (at the time the full year's appropriation was first passed) and the final budget basis revenue estimate. Actual revenues were higher than final budget basis revenues, primarily due to higher property taxes and interest. The original budget basis expenditures are temporarily appropriated in June and subsequently finalized in September of each year with adjustments, if needed, made at that time. During the fiscal year, the final budget exceeded the original budget by approximately $1.4 million, which was mainly attributed to the School District anticipating increased special education costs.

The School District's general fund unencumbered ending cash balance totaled $5,697,584, which was more than the final budgeted amount of $5,584,129, due to conservative budgeting.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $23,456,291 invested in land, construction in progress, land improvements, buildings and improvements, furniture and fixtures, and vehicles, net of accumulated depreciation. All capital assets are reported at historical cost. For more information on capital assets refer to Note 9 of the basic financial statements.

Debt Administration

During fiscal year 2010, $878,000 in energy conservation bonds were issued for the purpose of purchasing and installing energy conservation measures throughout the School District. This debt will be fully repaid in fiscal year 2025.

The School District sold $9,404,960 of refunding bonds on November 17, 2011. This transaction refinanced a portion of the School District's bonds that were originally sold in 2002. The new bonds have a final maturity of December 1, 2030 and carry an interest rate of 3.2 percent.

The School District sold $2,549,158 of refunding bonds on December 14, 2011. This transaction refinanced some of the remaining portion of the School District's bonds that were originally sold in 2002 and were not already refunded by the issue sold in November 2011. The new bonds have a final maturity of December 1, 2018 and carry an interest rate of 1.49 percent.

During fiscal year 2018, the School District entered into a lease-purchase financing in the amount of $2.5 million for the replacement of the Tuslaw High School roof. As of June 30, 2018, $2,447,297 of the proceeds were unspent. This debt will be repaid over a ten-year period with a final payment being made in fiscal year 2028.

The School District's overall debt margin is $9,205,635 and the unvoted debt margin is $205,938. For more information on debt refer to Note 15 of the basic financial statements.

School District Outlook

The Board of Education and administration closely monitor School District revenues and expenditures in accordance with its financial forecast. The financial future of the School District is faced with challenges, which are both internal and external in nature. The internal challenges are ongoing, as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio continues to address revenue shortfalls and adequately funding schools.

Fluctuations in real and public utility personal property taxes are attributed to changes in market values due to reappraisal and updates. The School District receives real and public utility personal property tax revenues from both Stark and Wayne Counties. Stark County conducted its reappraisal of properties in the County in 2018, which will impact 2019 taxes. Tangible personal property taxes were phased out in fiscal year 2012.

The School District relies heavily on its property taxpayers to support its operations and the community is supportive of school initiatives. The School District's five year emergency levy, which yields $1.2 million annually, expired in December 2015. In November 2014, the community renewed this levy, including increasing its term to 10 years. Therefore, the levy renewal will continue to be collected beginning in fiscal year 2016 and beyond. The School District's five year limited levy which yields $829,190 annually will expire in December 2018. The voters approved the renewal of this levy in November 2017, and it will continue to be collected beginning in fiscal year 2019 and beyond.

Additional revenue and/or reductions in expenditures will be necessary to avoid negative general fund balances in future years. The School District has communicated to the community that it relies upon their support for the major part of its operations, and will continue to work diligently to plan expenditures, staying carefully within the School District's 5-year financial plan.

The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding was recently established as part of the State's biennial budget for fiscal years 2018 and 2019. State funding for fiscal years 2018, 2019, and beyond is projected to be comparable to fiscal year 2017, as the School District is not projected to have any increases. The State of Ohio is currently utilizing a funding formula that is ADM-driven. Management is required to plan carefully and prudently to provide adequate resources to meet student needs in the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact the Treasurer's Office at Tuslaw Local School District, 1835 Manchester Avenue NW, Massillon, Ohio 44647.

Tuslaw Local School District

Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$11,062,942
Inventory Held for Resale	8,269
Accrued Interest Receivable	8,224
Intergovernmental Receivable	97,993
Prepaid Items	21,331
Taxes Receivable	6,737,691
Non-Depreciable Capital Assets	505,238
Depreciable Capital Assets, net	22,951,053
Total Assets	41,392,741
Deferred Outflows of Resources	
Deferred Charge on Refunding	282,560
Pension	4,238,014
OPEB	145,155
Total Deferred Outflows of Resources	4,665,729
Liabilities	
Accounts Payable	127,952
Accrued Wages and Benefits	1,302,553
Intergovernmental Payable	252,317
Accrued Interest Payable	32,820
Matured Compensated Absences Payable	11,713
Long-Term Liabilities:	
Due Within One Year	952,175
Due in More Than One Year	12,843,869
Net Pension Liability (See Note 12)	14,561,890
Net OPEB Liability (See Note 13)	3,301,131
Total Liabilities	33,386,420
Deferred Inflows of Resources	
Property Taxes	6,316,368
Pension	1,155,714
OPEB	482,328
Total Deferred Inflows of Resources	7,954,410
Net Position	
Net Investment in Capital Assets	13,970,759
Restricted for Debt Service	872,841
Restricted for Capital Outlay	418,850
Restricted for Other Purposes	320,389
Unrestricted (Deficit)	(10,865,199)
Total Net Position	$4,717,640

See accompanying notes to the basic financial statements

Tuslaw Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2018

		Program Revenues		
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Net (Expenses) Revenue and Changes in Net Position**
Governmental Activities				
Instruction:				
Regular	$2,833,552	$604,380	$33,248	($2,195,924)
Special	1,092,556	157,522	688,767	(246,267)
Vocational	40,560	10,536	25,361	(4,663)
Student Intervention Services	5,900	575	0	(5,325)
Support Services:				
Pupils	728,729	87,018	70,781	(570,930)
Instructional Staff	177,254	47,976	4,602	(124,676)
Board of Education	161,297	14,759	0	(146,538)
Administration	193,537	95,710	14,204	(83,623)
Fiscal	374,644	38,823	0	(335,821)
Business	42,215	4,111	0	(38,104)
Operation and Maintenance of Plant	1,075,567	116,364	0	(959,203)
Pupil Transportation	804,038	77,654	20,940	(705,444)
Central	59,475	5,792	0	(53,683)
Operation of Non-Instructional Services	539,774	307,673	187,827	(44,274)
Extracurricular Activities	518,411	356,246	19,999	(142,166)
Interest and Fiscal Charges	422,357	0	0	(422,357)
Totals	$9,069,866	$1,925,139	$1,065,729	(6,078,998)

General Revenues	
Property Taxes Levied for:	
General Purposes	5,448,259
Debt Service	797,681
Classroom Facilities Maintenance	105,864
Grants and Entitlements not Restricted to Specific Programs	6,356,805
Unrestricted Contributions and Donations	2,050
Investment Earnings	102,418
Miscellaneous	6,681
Total General Revenues	12,819,758
Change in Net Position	6,740,760
Net Position Beginning of Year - Restated (See Note 3)	(2,023,120)
Net Position End of Year	$4,717,640

See accompanying notes to the basic financial statements

Tuslaw Local School District

Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$6,930,375	$2,866,147	$1,266,420	$11,062,942
Inventory Held for Resale	0	0	8,269	8,269
Accrued Interest Receivable	8,224	0	0	8,224
Intergovernmental Receivable	55,192	0	42,801	97,993
Prepaid Items	20,746	0	585	21,331
Taxes Receivable	5,787,897	0	949,794	6,737,691
Total Assets	$12,802,434	$2,866,147	$2,267,869	$17,936,450
Liabilities				
Current Liabilities:				
Accounts Payable	$109,370	$0	$18,582	$127,952
Accrued Wages and Benefits	1,210,122	0	92,431	1,302,553
Intergovernmental Payable	236,270	0	16,047	252,317
Matured Compensated Absences Payable	0	0	11,713	11,713
Total Liabilities	1,555,762	0	138,773	1,694,535
Deferred Inflows of Resources				
Property Taxes	5,431,307	0	885,061	6,316,368
Unavailable Revenue	252,126	0	67,888	320,014
Total Deferred Inflows of Resources	5,683,433	0	952,949	6,636,382
Fund Balances				
Nonspendable	20,746	0	585	21,331
Restricted	0	2,866,147	1,198,848	4,064,995
Assigned	1,169,938	0	0	1,169,938
Unassigned (Deficit)	4,372,555	0	(23,286)	4,349,269
Total Fund Balances	5,563,239	2,866,147	1,176,147	9,605,533
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$12,802,434	$2,866,147	$2,267,869	$17,936,450

See accompanying notes to the basic financial statements

Tuslaw Local School District

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

To Total Governmental Fund Balances		$9,605,533
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,456,291
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Delinquent Property Taxes	290,019	
Intergovernmental	23,288	
Tuition and Fees	6,707	
Total		320,014
In the Statement of Activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(32,820)
Long-term liabilities, including bonds and compensated absences payable are not due and payable in the current period:		
Energy Conservation Bonds	(447,379)	
General Obligation Bonds	(9,794,916)	
Deferred Charge on Refunding	282,560	
Lease-Purchase	(2,500,000)	
Compensated Absences	(1,053,749)	
Total		(13,513,484)
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	4,238,014	
Deferred Outflows - OPEB	145,155	
Net Pension Liability	(14,561,890)	
Net OPEB Liability	(3,301,131)	
Deferred Inflows - Pension	(1,155,714)	
Deferred Inflows - OPEB	(482,328)	
Total		(15,117,894)
Net Position of Governmental Activities		$4,717,640

See accompanying notes to the basic financial statements

Tuslaw Local School District

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

	General Fund	*Building Fund*	*Other Governmental Funds*	*Total Governmental Funds*
Revenues				
Property Taxes	$5,440,733	$0	$898,458	$6,339,191
Intergovernmental	6,707,442	0	782,261	7,489,703
Interest	93,916	8,502	3,830	106,248
Tuition and Fees	1,242,807	0	0	1,242,807
Rent	7,510	0	0	7,510
Extracurricular Activities	170,698	0	189,192	359,890
Gifts and Donations	8,502	0	15,733	24,235
Customer Sales and Services	62,379	0	250,386	312,765
Miscellaneous	2,493	0	4,188	6,681
Total Revenues	13,736,480	8,502	2,144,048	15,889,030
Expenditures				
Current:				
Instruction:				
Regular	5,797,443	0	33,097	5,830,540
Special	1,565,328	0	322,909	1,888,237
Vocational	106,656	0	0	106,656
Student Intervention Services	5,900	0	0	5,900
Support Services:				
Pupils	823,656	0	87,751	911,407
Instructional Staff	467,150	0	5,162	472,312
Board of Education	151,559	10,000	0	161,559
Administration	954,222	0	17,017	971,239
Fiscal	401,634	2,500	14,108	418,242
Business	42,215	0	0	42,215
Operation and Maintenance of Plant	1,088,901	448	76,982	1,166,331
Pupil Transportation	794,394	0	0	794,394
Central	59,475	0	0	59,475
Operation of Non-Instructional Services	56,255	0	497,485	553,740
Extracurricular Activities	594,277	0	189,009	783,286
Capital Outlay	5,500	39,755	0	45,255
Debt Service:				
Principal	58,736	0	577,709	636,445
Interest and Fiscal Charges	10,322	0	278,050	288,372
Capital Appreciation Bonds Interest	0	0	47,291	47,291
Total Expenditures	12,983,623	52,703	2,146,570	15,182,896
Excess of Revenues Over (Under) Expenditures	752,857	(44,201)	(2,522)	706,134
Other Financing Sources (Uses)				
Lease-Purchase Issued	0	2,500,000	0	2,500,000
Transfers In	0	0	14,082	14,082
Transfers Out	0	0	(14,082)	(14,082)
Total Other Financing Sources (Uses)	0	2,500,000	0	2,500,000
Net Change in Fund Balances	752,857	2,455,799	(2,522)	3,206,134
Fund Balances Beginning of Year	4,810,382	410,348	1,178,669	6,399,399
Fund Balances End of Year	$5,563,239	$2,866,147	$1,176,147	$9,605,533

See accompanying notes to the basic financial statements

Tuslaw Local School District

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

Net Change in Fund Balances - Total Governmental Funds		$3,206,134
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:		
Capital Outlay	167,374	
Depreciation	(753,848)	
Total		(586,474)
Governmental funds only report the disposal of capital assets to the extend proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(11,003)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	12,613	
Intergovernmental	(93,184)	
Tuition and Fees	2,167	
Total		(78,404)
Other financing sources in the governmental funds, such as the issuance of a lease-purchase, increase long-term liabilities in the statement of net position.		(2,500,000)
Repayment of bond principal and interest accretion is an expenditure in the governmental funds, but the repayment and accretion reduces long-term liabilities in the statement of net position. in the statement of net assets:		
Bond Principal Retirement	636,445	
Capital Appreciation Bond	47,291	
Total		683,736
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:		
Bond Accretion	(139,882)	
Amortization of Premium	44,365	
Amortization of Deferred Charge on Refunding	(30,657)	
Accrued Interest	(7,811)	
Total		(133,985)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(111,386)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	1,000,924	
OPEB	36,900	
Total		1,037,824
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension/OPEB expense in the statement of activities:		
Pension	4,725,805	
OPEB	508,513	
Total		5,234,318
Changes in Net Position of Governmental Activities		$6,740,760

See accompanying notes to the basic financial statements

Tuslaw Local School District

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$5,268,173	$5,268,173	$5,505,929	$237,756
Intergovernmental	6,813,027	6,813,027	6,714,418	(98,609)
Interest	38,065	38,065	89,650	51,585
Tuition and Fees	1,358,947	1,358,947	1,278,540	(80,407)
Rent	9,110	9,110	7,510	(1,600)
Gifts and Donations	0	0	2,050	2,050
Miscellaneous	3,672	3,672	2,453	(1,219)
Total Revenues	13,490,994	13,490,994	13,600,550	109,556
Expenditures				
Current:				
Instruction:				
Regular	5,827,649	5,836,899	5,761,021	75,878
Special	922,883	2,090,739	1,722,171	368,568
Vocational	104,525	104,573	106,854	(2,281)
Student Intervention Services	6,902	6,864	5,900	964
Support Services:				
Pupils	850,780	991,426	899,981	91,445
Instructional Staff	405,000	418,697	477,418	(58,721)
Board of Education	17,927	17,620	475,815	(458,195)
Administration	967,542	954,334	955,723	(1,389)
Fiscal	385,799	425,241	419,666	5,575
Business	50,100	42,966	46,706	(3,740)
Operation and Maintenance of Plant	1,050,298	1,133,270	1,116,594	16,676
Pupil Transportation	1,150,111	1,157,982	1,225,723	(67,741)
Central	81,067	84,296	61,055	23,241
Extracurricular Activities	519,075	519,028	480,937	38,091
Capital Outlay	0	0	24,472	(24,472)
Debt Service:				
Principal	57,570	57,522	58,736	(1,214)
Interest and Fiscal Charges	15,750	11,536	10,322	1,214
Total Expenditures	12,412,978	13,852,993	13,849,094	3,899
Net Change in Fund Balance	1,078,016	(361,999)	(248,544)	113,455
Fund Balance Beginning of Year	5,597,956	5,597,956	5,597,956	0
Prior Year Encumbrances Appropriated	348,172	348,172	348,172	0
Fund Balance End of Year	$7,024,144	$5,584,129	$5,697,584	$113,455

See accompanying notes to the basic financial statements

Tuslaw Local School District

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$43,822	$69,195
Total Assets	43,822	$69,195
Liabilities		
Current Liabilities:		
Undistributed Monies	$0	$1,310
Due to Students	0	67,885
Total Liabilities	0	$69,195
Net Position		
Held in Trust for Scholarships	$43,822	

See accompanying notes to the basic financial statements

Tuslaw Local School District

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

	Private Purpose Trust
Additions	
Gifts and Contributions	$12,036
Interest	246
Total Additions	12,282
Deductions	
Payments in Accordance with Trust Agreements	9,850
Increase in Net Position	2,432
Net Position Beginning of Year	41,390
Net Position End of Year	$43,822

See accompanying notes to the basic financial statements

Note 1 – Description of the School District and Reporting Entity

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

The School District serves an area of approximately forty-four square miles. It is located in Stark and Wayne Counties and includes portions of Lawrence, Tuscarawas, and Perry Townships, and the City of Massillon. It is staffed by 64 classified employees, 85 certified teaching personnel, and 12 administrative employees who provide services to 1,372 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. There are no component units of the Tuslaw Local School District.

The School District is associated with organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Stark Portage Area Computer Consortium, Stark County Area Joint Vocational School, Stark County Schools Council of Government and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore 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 School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. 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 of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

> ***General Fund*** The general fund is the general operating fund of the School District and is used to account and report for all financial resources except those required to be accounted for or reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund To account for and report restricted monies used for the building, restoration or improvement of the School District property.

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has two private purpose trust funds which are used to account for college scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds reflect resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities.

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and income taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities fund on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 12 and 13).

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

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

E. Budgetary Process

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

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

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2018.

F. Cash and Cash Equivalents

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

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

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

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $93,916, which includes $27,878 assigned from other School District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. 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 by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

H. Inventory

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

I. Capital Assets

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

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

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

Description	*Estimated Lives*
Land Improvements	20 - 50 Years
Buildings and Improvements	20 - 50 Years
Furniture and Fixtures	7 - 20 Years
Vehicles	8 - 15 Years

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave benefits is made to the extent that it is probable that benefits will result in termination payments. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

K. Accrued Liabilities and Long-Term Obligations

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

L. Net Position

Net position represents the difference between all other elements of the statement of net position. 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 School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Fund Balance

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

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

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

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

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

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

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

N. Interfund Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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.

O. Interfund Balances

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

P. Estimates

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

Q. Deferred Charge on Refunding

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

R. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

S. Pensions/Other Postemployment Benefits (OPEB)

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

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

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

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

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

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

Net Position June 30, 2017	$2,160,597
Adjustments:	
Net OPEB Liability	(4,211,426)
Deferred Outflow - Payments Subsequent to Measurement Date	27,709
Restated Net Position June 30, 2017	($2,023,120)

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

Note 4 – Budgetary Basis of Accounting

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

The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Budgetary revenues and expenditures of the latchkey and public school support funds are reclassified to the general fund for GAAP reporting.
4. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

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

GAAP Basis	$752,857
Net Adjustment for Revenue Accruals	(375,499)
Net Adjustment for Expenditure Accruals	533,447
Perspective Differences:	
Latchkey	1,435
Public School Support	(1,537)
Adjustment for Encumbrances	(1,159,247)
Budget Basis	($248,544)

Note 5 – Fund Balances

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

Fund Balances	General Fund	Building Fund	Other Governmental Funds	Total
Nonspendable:				
Prepaid Items	$20,746	$0	$585	$21,331
Restricted for:				
Debt Service	0	0	865,554	865,554
Capital Outlay	0	2,866,147	0	2,866,147
Other Purposes	0	0	333,294	333,294
Total Restricted	0	2,866,147	1,198,848	4,064,995
Assigned to:				
Purchases on Order	1,095,677	0	0	1,095,677
Other Purposes	74,261	0	0	74,261
Total Assigned	1,169,938	0	0	1,169,938
Unassigned (Deficit)	4,372,555	0	(23,286)	4,349,269
Total Fund Balances	$5,563,239	$2,866,147	$1,176,147	$9,605,533

Note 6 – Deposits and Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, $106,706 of the School District's total bank balance of $5,410,765 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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

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

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

Investments As of June 30, 2018, the School District's only investment was STAR Ohio, which is measured at net asset value per share.

Credit Risk State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The School District has no investment policy that addresses credit risk.

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected in calendar year 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

The amount available as an advance at June 30, 2018, was $113,205 in the general fund and $18,099 in the debt service fund. The amount available as an advance at June 30, 2017, was $176,367 in the general fund and $28,382 in the debt service fund. The difference was in timing and collection by the County Auditors. 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 reported as deferred inflows of resources – unavailable revenue.

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

	2017 Second Half Collections		*2018 First Half Collections*	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$180,507,880	90.86 %	$184,257,630	89.07 %
Public Utility Personal	18,166,200	9.14	22,615,180	10.93
Total	$198,674,080	100.00 %	$206,872,810	100.00 %
Tax Rate per $1,000 of Assessed Value	$64.70		$64.30	

During fiscal year 2018, property tax values increased in the School District. This caused the tax rate to decrease so that the emergency and bond levies would meet their collection amounts.

Note 8 – Receivables

Receivables at June 30, 2018, consisted primarily of property taxes, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables other than delinquent taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	*Amounts*
Title VI-B	$34,272
Foundation	33,036
Bureau of Workers' Compensation	22,156
Title I	7,506
Miscellaneous State Grants	637
Title II-A	386
Total Intergovernmental Receivables	$97,993

Note 9 – Capital Assets

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

	Balance 06/30/17	*Additions*	*Deductions*	*Balance* 06/30/18
Capital Assets not being Depreciated:				
Land	$463,538	$0	($11,003)	$452,535
Construction in Progress	0	52,703	0	52,703
Total Capital Assets not being Depreciated	463,538	52,703	(11,003)	505,238
Capital Assets being Depreciated:				
Land Improvements	1,230,195	0	0	1,230,195
Buildings and Improvements	30,277,551	0	0	30,277,551
Furniture and Fixtures	1,862,591	30,757	0	1,893,348
Vehicles	1,446,780	83,914	0	1,530,694
Total Capital Assets being Depreciated	34,817,117	114,671	0	34,931,788
Less Accumulated Depreciation:				
Land Improvements	(711,870)	(36,009)	0	(747,879)
Buildings and Improvements	(8,249,331)	(568,387)	0	(8,817,718)
Furniture and Fixtures	(1,282,701)	(90,388)	0	(1,373,089)
Vehicles	(982,985)	(59,064)	0	(1,042,049)
Total Accumulated Depreciation	(11,226,887)	(753,848) *	0	(11,980,735)
Total Assets being Depreciated, Net	23,590,230	(639,177)	0	22,951,053
Governmental Activities Capital Assets, Net	$24,053,768	($586,474)	($11,003)	$23,456,291

* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	$260,396
Special	70,124
Vocational	4,458
Support Services:	
Pupils	46,424
Instructional Staff	18,804
Administration	50,628
Operation and Maintenance of Plant	62,838
Pupil Transportation	138,669
Operation of Non-Instructional Services	71,315
Extracurricular Activities	30,192
Total Depreciation Expense	$753,848

Note 10 – Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, the School District contracted with Leonard Insurance Services for property and fleet coverage and Hylant Administrative Services, LLC through the Ohio School Plan for liability coverage. There has not been a significant reduction in coverage from the prior year and settled claims have not exceeded this commercial coverage in any of the past three years. Coverage type, limits and deductibles are as follows:

Type of Coverage	Coverage	Deductible
Buildings and Contents	$49,166,583	$5,000
Inland Marine Coverage	Various	500
Automobile Liability	1,000,000	0
Uninsured Motorists	100,000	0
Medical Payments	5,000	0
Crime - Employee Dishonesty	50,000	1,000
Crime - Forgery or Alterations	50,000	1,000
General Liability:		
Per occurrence	4,000,000	2,500
Aggregate	6,000,000	0
Umbrella	3,000,000	0

The School District participates in a workers compensation program jointly sponsored by the Ohio Association of School Business Officials (OASBO) and the Ohio School Board Association (OSBA), known as SchoolComp. CompManagement, Incorporated (CMI) is the program's third party administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The School District has chosen to participate in the group rating program for fiscal year 2018. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC.

The School District has contracted with the Stark County Schools Council of Government's Health Benefits Program to provide employee medical/surgical, vision, and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of $2,012.39 for family coverage and $826.61 for single coverage per employee per month.

Note 11 – Employee Benefits

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is a limit of 345 days of sick leave that may be accumulated for certified employees and classified employees. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 73 days.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Government's Health Benefits Program.

Note 12 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $238,687 for fiscal year 2018. Of this amount $27,711 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

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

The School District's contractually required contribution to STRS was $762,237 for fiscal year 2018. Of this amount $104,212 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.05302170%	0.05021133%	
Proportion of the Net Pension Liability Current Measurement Date	0.05262020%	0.04806502%	
Change in Proportionate Share	-0.00040150%	-0.00214631%	
Proportionate Share of the Net Pension Liability	$3,143,941	$11,417,949	$14,561,890
Pension Expense	($162,644)	($4,563,161)	($4,725,805)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$135,304	$440,907	$576,211
Changes of Assumptions	162,575	2,497,231	2,659,806
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	0	1,073	1,073
School District Contributions Subsequent to the Measurement Date	238,687	762,237	1,000,924
Total Deferred Outflows of Resources	$536,566	$3,701,448	$4,238,014
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$0	$92,024	$92,024
Net Difference between Projected and Actual Earnings on Pension Plan Investments	14,924	376,806	391,730
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	79,459	592,501	671,960
Total Deferred Inflows of Resources	$94,383	$1,061,331	$1,155,714

$1,000,924 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$76,607	$359,420	$436,027
2020	158,871	872,006	1,030,877
2021	41,310	574,474	615,784
2022	(73,292)	71,980	(1,312)
Total	$203,496	$1,877,880	$2,081,376

Actuarial Assumptions – SERS

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	$4,362,974	$3,143,941	$2,122,753

Actuarial Assumptions – STRS

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	$16,367,242	$11,417,949	$7,248,912

Note 13 – Defined Benefit OPEB Plans

See Note 12 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $28,060.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $36,900 for fiscal year 2018. Of this amount $29,086 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.05354080%	0.05021133%	
Proportion of the Net OPEB Liability Current Measurement Date	0.05312780%	0.04806502%	
Change in Proportionate Share	-0.00041300%	-0.00214631%	
Proportionate Share of the Net OPEB Liability	$1,425,811	$1,875,320	$3,301,131
OPEB Expense	$80,131	($588,644)	($508,513)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$0	$108,255	$108,255
School District Contributions Subsequent to the Measurement Date	36,900	0	36,900
Total Deferred Outflows of Resources	$36,900	$108,255	$145,155
Deferred Inflows of Resources			
Changes of Assumptions	$135,302	$151,063	$286,365
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	3,765	80,156	83,921
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	$13,655	$98,387	$112,042
Total Deferred Inflows of Resources	$152,722	$329,606	$482,328

$36,900 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($54,912)	($43,571)	($98,483)
2020	(54,912)	(43,571)	(98,483)
2021	(41,957)	(43,571)	(85,528)
2022	(941)	(43,572)	(44,513)
2023	0	(23,532)	(23,532)
Thereafter	0	(23,534)	(23,534)
Total	($152,722)	($221,351)	($374,073)

Actuarial Assumptions – SERS

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

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

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

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

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan (see Note 12).

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	$1,721,848	$1,425,811	$1,191,273

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's Proportionate Share of the Net OPEB Liability	$1,156,938	$1,425,811	$1,781,667

Actuarial Assumptions – STRS

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

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

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan (see Note 12).

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	$2,517,587	$1,875,320	$1,367,719

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$1,302,892	$1,875,320	$2,628,702

Note 14 – Contingencies

Grants

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

School Foundation

The School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The final adjustment was not material and is not reflected in the accompanying financial statements.

Litigation

No litigation is pending at this time for the School District.

Note 15 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2018 were as follows:

	Balance 6/30/17	*Additions*	*Deductions*	*Balance 6/30/18*	*Amounts Due in One Year*
HB 264 Qualified School Construction Bonds:					
$878,000 6.15% Energy Conservation Bonds	$506,115	$0	$58,736	$447,379	$59,976
2011 OSFC High School Bonds (#1 Refunding):					
$9,235,000, 3.2% Serial Bonds	8,785,000	0	95,000	8,690,000	550,000
$169,960, 21.15% Capital Appreciation Bonds	169,960	0	0	169,960	
Accretion on Capital Appreciation Bonds	352,355	116,000	0	468,355	
Premium	417,530	0	30,929	386,601	0
Total 2011 OSFC High School Bonds	9,724,845	116,000	125,929	9,714,916	550,000
2012 OSFC High School Bonds (#2 Refunding):					
$2,505,000, 1.49% Serial Bonds	460,000	0	460,000	0	0
$44,158, 19.7% Capital Appreciation Bonds	44,158	0	22,709	21,449	21,449
Accretion on Capital Appreciation Bonds	81,960	23,882	47,291	58,551	58,551
Premium	13,436	0	13,436	0	0
Total 2012 OSFC High School Bonds	599,554	23,882	543,436	80,000	80,000
2018 Lease-Purchase	0	2,500,000		2,500,000	200,000
Compensated Absences	942,363	142,167	30,781	1,053,749	62,199
Net Pension Liability:					
SERS	3,880,699	0	736,758	3,143,941	0
STRS	16,807,246	0	5,389,297	11,417,949	0
Total Net Pension Liability	20,687,945	0	6,126,055	14,561,890	0
Net OPEB Liability:					
SERS	1,526,111	0	100,300	1,425,811	0
STRS	2,685,315	0	809,995	1,875,320	0
Total Net OPEB Liability	4,211,426	0	910,295	3,301,131	0
Total Governmental Activities Long-Term Liabilities	$36,672,248	$2,782,049	$7,795,232	$31,659,065	$952,175

Compensated absences payments are paid from the general fund and food service, title VI-B, and title I special revenue funds. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the general fund and food service, title VI-B, and title I special revenue funds. For additional information related to the net pension liability and net OPEB liability, see Notes 12 and 13.

During fiscal year 2010, $878,000 in energy conservation bonds were issued for the purpose of purchasing and installing energy conservation measures throughout the School District. This debt will be fully repaid in fiscal year 2025.

On November 17, 2011, the School District issued $9,404,960 in general obligation bonds to refund a portion of the Ohio School Facilities Commission general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of $9,235,000 and $169,960, respectively. The bonds were issued for a nineteen year period with a final maturity at December 1, 2030. The final maturity amount of outstanding capital appreciation bonds at June 30, 2018, is $895,000. The accretion recorded for 2018 was $116,000, for a total outstanding bond liability of $638,315.

The bonds were sold at a premium of $590,211. Net proceeds of $9,836,375 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2018, $9,405,000 of the defeased bonds are still outstanding.

On December 14, 2011, the School District issued $2,549,158 in general obligation bonds to refund a portion of the Ohio School Facilities Commission general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of $2,505,000 and $44,158, respectively. The bonds were issued for a seven year period with a final maturity at December 1, 2018. The final maturity amount of outstanding capital appreciation bonds at June 30, 2018, is $80,000. The accretion recorded for 2018 was $23,882, for a total outstanding bond liability of $80,000.

The bonds were sold at a premium of $161,210. Net proceeds of $2,646,646 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2018, $95,000 of the defeased bonds are still outstanding.

During fiscal year 2018, the School District entered into a lease-purchase financing in the amount of $2.5 million for the replacement of the Tuslaw High School roof. As of June 30, 2018, $2,447,297 of the proceeds were unspent. This debt will be repaid over a ten-year period with a final payment being made in fiscal year 2028.

The School District's overall debt margin is $9,205,635 and the unvoted debt margin is $205,938. The following is a summary of the School District's future annual principal and interest requirements to retire the general obligation bonds:

	2011 Energy Construction Bonds		*2011 and 2012 OSFC Bonds*				*2018 Lease-Purchase*	
Fiscal Year			*Serial Bonds*		*Capital Appreciation Bonds*			
Ending June 30,	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*
2019	$59,976	$9,082	$550,000	$267,000	$21,449	$58,551	$200,000	$101,999
2020	61,243	7,816	0	261,500	127,317	507,683	232,000	90,821
2021	62,535	6,523	375,000	256,813	42,643	217,357	241,000	81,344
2022	63,855	5,203	675,000	242,843	0	0	251,000	74,482
2023	65,203	3,855	695,000	223,137	0	0	261,000	61,216
2024-2028	134,567	3,549	3,800,000	775,756	0	0	1,315,000	136,709
2029-2031	0	0	2,595,000	138,339	0	0	0	0
Total	$447,379	$36,028	$8,690,000	$2,165,388	$191,409	$783,591	$2,500,000	$546,571

Note 16 – Jointly Governed Organizations

A. Stark Portage Area Computer Consortium

Stark-Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 30 School Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC's annual budget and ascertain that costs are divided equally among participating school districts. During fiscal year 2018, the School District paid $81,878 to SPARCC for services rendered. Financial information can be obtained by contacting the Treasurer at the Stark County Educational Service Center, which serves as fiscal agent, located at 6057 Strip Avenue NW, North Canton, Ohio 44720.

B. Stark County Area Joint Vocational School

The Stark County Area Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a seven member Board, consisting of one representative from each of the six participating school district's elected boards and one board member that rotates from each participating school district. The Stark County Area Joint Vocational School possesses its own budgeting and taxing authority. The Stark County Area Joint Vocational School provides vocational instruction to students of participating districts. To obtain financial information write to the Stark County Area Joint Vocational School, 2800 Richville Drive, S.E., Massillon, Ohio 44646.

Note 17 – Public Entity Risk Pools

A. Stark County Schools Council of Government

The Stark County Schools Council of Government (Council) is a shared risk pool which is governed by an assembly which consists of one representative from each participating member. The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool.

B. Ohio School Plan

The Ohio School Plan (Plan) is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. OSBA, BASA and OASBO executive directors serve as ex-officio members. Approximately 280 educational entities are members of the Plan. The Plan's board elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information write to the Ohio School Plan, Hylant Administrative Services, 811 Madison Avenue, Toledo, Ohio 43604.

Note 18 – Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements.

The following cash basis information describes the set aside amount for capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-Aside Reserve Balance as of June 30, 2017	$0
Current Year Set-Aside Requirement	266,051
Current Year Offsets	(577,709)
Qualifying Disbursements	(76,243)
Total	($387,901)
Set-Aside Balance Carried Forward to Future Years	$0
Set-Aside Reserve Balance as of June 30, 2018	$0

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these extra amounts will not be used to reduce the set-aside requirements of future years. The negative amounts will not be presented as being carried forward to the next fiscal year.

Note 19 – Encumbrances

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

General Fund	$1,159,247
Other Governmental Funds	87,784
Total	$1,247,031

Note 20 – Interfund Transfers

During fiscal year 2018, the title II-A special revenue fund transferred $14,082 to the title I special revenue fund for the purpose of supplementing lost funding in title 1 to maintain the School District's current programs.

Note 21 – Deficit Fund Balances

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

Nonmajor Funds	Deficit
Title VI-B	($20,574)
Title I	(2,453)

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

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.05262020%	0.05302170%	0.05469790%	0.05554700%	0.05554700%
School District's Proportionate Share of the Net Pension Liability	$3,143,941	$3,880,699	$3,121,116	$2,811,202	$3,303,202
School District's Covered Payroll	$1,723,093	$1,645,593	$1,684,671	$1,590,420	$1,599,519
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	182.46%	235.82%	185.27%	176.76%	206.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04806502%	0.05021133%	0.05064576%	0.05060181%	0.05060181%
School District's Proportionate Share of the Net Pension Liability	$11,417,949	$16,807,246	$13,997,007	$12,308,111	$14,661,342
School District's Covered Payroll	$5,271,014	$5,281,043	$5,287,600	$5,207,915	$5,344,962
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.62%	318.26%	264.71%	236.33%	274.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.05312780%	0.05354080%
School District's Proportionate Share of the Net OPEB Liability	$1,425,811	$1,526,111
School District's Covered Payroll	$1,723,093	$1,645,593
School District's Proportionate Share of the Net Liability as a Percentage OPEB of its Covered Payroll	82.75%	92.74%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.04806502%	0.05021133%
School District's Proportionate Share of the Net OPEB Liability	$1,875,320	$2,685,315
School District's Covered Payroll	$5,271,014	$5,281,043
School District's Proportionate Share of the Net Liability as a Percentage OPEB of its Covered Payroll	35.58%	50.85%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

Tuslaw Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$238,687	$241,233	$230,383	$222,040
Contributions in Relation to the Contractually Required Contribution	(238,687)	(241,233)	(230,383)	(222,040)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$1,768,052	$1,723,093	$1,645,593	$1,684,671
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability				
Contractually Required Contribution (2)	36,900	27,709	26,273	41,503
Contributions in Relation to the Contractually Required Contribution	(36,900)	(27,709)	(26,273)	(41,503)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	2.09%	1.61%	1.60%	2.46%
Total Contributions as a Percentage of Covered Payroll (2)	15.59%	15.61%	15.60%	15.64%

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

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$220,432	$221,373	$228,734	$199,631	$223,524	$158,123
(220,432)	(221,373)	(228,734)	(199,631)	(223,524)	(158,123)
$0	$0	$0	$0	$0	$0
$1,590,420	$1,599,519	$1,700,622	$1,588,154	$1,650,845	$1,606,942
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
29,473	29,215	33,690	53,647	35,767	99,935
(29,473)	(29,215)	(33,690)	(53,647)	(35,767)	(99,935)
$0	$0	$0	$0	$0	$0
1.85%	1.83%	1.98%	3.38%	2.17%	6.22%
15.71%	15.67%	15.43%	15.95%	15.71%	16.06%

Tuslaw Local School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$762,237	$737,942	$739,346	$740,264
Contributions in Relation to the Contractually Required Contribution	(762,237)	(737,942)	(739,346)	(740,264)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$5,444,550	$5,271,014	$5,281,043	$5,287,600
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	$0	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

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

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$677,029	$694,845	$712,751	$660,715	$673,713	$653,744
(677,029)	(694,845)	(712,751)	(660,715)	(673,713)	(653,744)
$0	$0	$0	$0	$0	$0
$5,207,915	$5,344,962	$5,482,700	$5,082,423	$5,182,408	$5,028,800
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$52,079	$53,450	$54,827	$50,824	$51,824	$50,288
(52,079)	(53,450)	(54,827)	(50,824)	(51,824)	(50,288)
$0	$0	$0	$0	$0	$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions – SERS

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

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

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

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

Changes in Assumptions – STRS

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

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

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

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

Net OPEB Liability

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

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

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

Tuslaw Local School District
Stark County
1835 Manchester Avenue NW
Massillon, Ohio 44647

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuslaw Local School District, Stark County, (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 April 17, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

April 17, 2019

TUSLAW LOCAL SCHOOL DISTRICT

STARK 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
MAY 30, 2019