

NEW MIAMI LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2018

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
New Miami Local School District
600 Seven Mile Avenue
Hamilton, Ohio 45011

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 19, 2018

This page intentionally left blank.

TABLE OF CONTENTS

Independent Auditors' Report.....	1-3
Management's Discussion and Analysis.....	4-12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position.....	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15-16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17-18
Statement of Net Position – Fiduciary Funds	19
Statement of Changes in Net Position – Fiduciary Funds	20
Notes to Basic Financial Statements.....	21-57
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance– Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	59
Schedule of School District's Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio.....	60
Schedule of School District's Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio.....	61
Schedule of School District Contributions - Pension School Employees Retirement System of Ohio.....	62
Schedule of School District Contributions - Pension State Teachers Retirement System of Ohio.....	63
Schedule of School District's Proportionate Share of the Net OPEB Liability School Employees Retirement System of Ohio.....	64
Schedule of School District's Proportionate Share of the Net OPEB Liability State Teachers Retirement System of Ohio.....	65
Schedule of School District Contributions - OPEB School Employees Retirement System of Ohio.....	66
Schedule of School District Contributions - OPEB State Teachers Retirement System of Ohio.....	67
Notes to Required Supplementary Information	68

Additional Information:

Schedule of Expenditures of Federal Awards	69
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70-71
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance	72-73
Schedule of Findings and Questioned Costs	74

INDEPENDENT AUDITORS' REPORT

To the Board of Education
New Miami Local School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 18 to the financial statements, during the year ended June 30, 2018, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of proportionate share of net pension liability, schedules of pension contributions, schedules of proportionate share of net OPEB liability, schedules of OPEB contributions and the budgetary comparison information, as listed in the tables of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Miami Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018 on our consideration of New Miami Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Miami Local School District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 6, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the New Miami Local School District (the "School District") for the fiscal year ended June 30, 2018. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2018 are listed below:

- The assets and deferred outflows of resources the School District exceeded its liabilities and deferred inflows of resources at year-end by \$4.4 million. Of this amount, \$9.4 million is invested in capital assets, net of accumulated depreciation and related debt. The School District also reported an unrestricted deficit net position balance of \$5.4 million due to its recognition of its proportionate share of the state-wide retirement systems' unfunded liabilities.
- In total, net position increased by approximately \$4,184,000.
- The School District had \$5.7 million in expenses related to governmental activities; only \$1.3 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$8.6 million, made up primarily of property and income taxes and State Foundation payments, provided the majority of funding for these programs.
- The General Fund balance increased by \$358,476, from \$3,286,758 at June 30, 2017 to \$3,645,234 at June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018
Unaudited

The statement of activities presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018
Unaudited

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to basic financial statements and accompanying notes, this report also contains required supplementary information regarding the budget of the General Fund and required pension and other postemployment benefit information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net Position at Fiscal Year-End

The following table presents a condensed summary of the School District's overall financial position at June 30, 2018 and 2017:

	<u>FY2018</u>	<i>Restated</i> <u>FY2017</u>
Assets:		
Current and other assets	\$ 6,129,372	5,901,165
Capital assets	<u>10,300,977</u>	<u>10,560,819</u>
Total assets	<u>16,430,349</u>	<u>16,461,984</u>
Deferred outflows of resources	<u>4,250,893</u>	<u>2,524,878</u>
Liabilities:		
Long-term liabilities:		
Due more than one year:		
Net pension liability	10,235,789	12,715,484
Net OPEB liability	2,318,219	2,614,617
Other long-term liabilities	1,127,425	1,362,639
Other liabilities	<u>855,980</u>	<u>932,681</u>
Total liabilities	<u>14,537,413</u>	<u>17,625,421</u>
Deferred inflows of resources	<u>1,707,923</u>	<u>1,109,510</u>
Net position:		
Net investment in capital assets	9,368,057	9,416,991
Restricted:		
For capital purposes	233,792	190,969
For debt service	155,120	148,373
For other purposes	75,726	306,115
Unrestricted (deficit)	<u>(5,396,789)</u>	<u>(9,810,517)</u>
Total net position	<u>\$ 4,435,906</u>	<u>251,931</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018
Unaudited

The net pension liability is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. For fiscal year 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Prior accounting for pensions (GASB Statement No. 27) and OPEB (GASB Statement No. 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 Statement Nos. 68 and 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

As required by GASB Statement Nos. 68 and 75, the required net pension liability and the net OPEB liability equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension and 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. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The 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 systems are responsible for the administration of the pension and OPEB plans.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018
Unaudited

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 or net OPEB liabilities. 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 part for the unfunded portion. Due to the unique nature of how the net pension and net OPEB liabilities are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement Nos. 68 and 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 Statement No. 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 \$2,848,884 to \$251,931.

The largest portion of the School District's net position (\$9.4 million) is in net investment in capital assets. The School District uses these capital assets to provide educational services to its students. Accordingly, these assets are not available for future spending. An additional portion of the School District's net position (\$464,638) represents resources that are subject to external restrictions on how they may be used.

Due to the recognition of its proportionate share of the net pension and net OPEB liabilities, the School District's unrestricted net position ended the fiscal year with a deficit balance of \$5.4 million.

Total assets decreased by less than 1%, while total liabilities, excluding net pension and net OPEB liabilities, decreased by 13.6%, due to decreases in long-term debt obligations, including bonds and leases, as the School District continued to make its scheduled debt service payments.

The net pension and OPEB liabilities, associated with the School District's participation in State-wide, cost-sharing, multiple employer retirements plans, decreased by approximately \$2.8 million, primarily due to changes in actuarial assumptions during the measurement period and better than projected investment earnings.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018
Unaudited

B. Governmental Activities During Fiscal Year 2018

The following table presents a condensed summary of the School District's activities during fiscal year 2018 and 2017 and the resulting change in net position:

	<u>FY2018</u>	<u>FY2017</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 97,172	89,287
Operating grants and contributions	1,189,013	1,414,303
Total program revenues	<u>1,286,185</u>	<u>1,503,590</u>
General revenues:		
Property and income taxes	1,818,925	1,583,903
Grants and entitlements	6,700,068	6,429,658
Investment earnings	30,680	16,391
Miscellaneous	22,320	21,010
Total general revenues	<u>8,571,993</u>	<u>8,050,962</u>
Total revenues	<u>9,858,178</u>	<u>9,554,552</u>
Expenses:		
Instruction	2,233,507	5,787,979
Support services:		
Pupil	363,065	413,438
Instructional staff	222,555	189,434
Board of Education	73,244	82,107
Administration	404,921	1,125,911
Fiscal	216,048	243,754
Business	14,930	13,666
Operation and maintenance of plant	930,921	1,131,724
Pupil transportation	454,564	467,990
Central	123,734	116,052
Non-instructional services	165,685	192,684
Interest and fiscal charges	33,739	36,051
Food services	437,290	592,835
Total expenses	<u>5,674,203</u>	<u>10,393,625</u>
Change in net position	4,183,975	(839,073)
Beginning net position, <i>restated</i>	<u>251,931</u>	<u>N/A</u>
Ending net position	<u>\$ 4,435,906</u>	<u>251,931</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018
Unaudited

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$17,664 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows and outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report negative OPEB expense of \$296,935. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 5,674,203
OPEB expense under GASB 75	296,935
2018 contractually required contributions	<u>25,417</u>
Adjusted 2018 program expenses	5,996,555
Total 2017 program expenses under GASB 45	<u>10,393,625</u>
Decrease in program expenses not related to OPEB	<u>\$ (4,397,070)</u>

Of the total governmental activities revenues of \$9,858,178, \$1,286,185 (13.0%) is from program revenue. This means that the School District relied on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 21.2% (\$1,818,925) comes from property and income taxes and 78.2% (\$6,700,068) is from state funding. The School District's operations are reliant upon its property and income taxes and the State's foundation program.

In total, net position of the School District increased by \$4,183,975. Total revenues only grew by 3.2%, primarily due to increases in targeted assistance and capacity aid school foundation funding from the Ohio Department of Education.

After factoring out OPEB above, total expenses decreased by \$4,397,070, or 42.3%. Approximately \$4 million of this decrease is related to changes in pension expenses; recognizing \$1.1 million in pension expenses during fiscal year 2017 compared to \$2.9 million in *negative* pension expenses during fiscal year 2018. A majority of this is due to changes in actuarial assumptions in the STRS pension plan, including lowering the discount rate. Also, both pension plans experienced better than projected investment earnings. These ultimately led to a decrease in the net pension liability of \$2.5 million. The School District spent approximately \$397,000 less due to unfilled staff positions and lower maintenance costs.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018
Unaudited

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 23% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$2,233,507 but program revenue contributed to fund 23% of those costs. Thus, general revenues of \$1,714,842 were needed to support of remainder of the instruction costs.

		Governmental Activities			
		Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost of Services
Instruction	\$	2,233,507	518,665	23%	1,714,842
Support services		2,803,982	195,863	7%	2,608,119
Non-instructional services		165,685	86,046	52%	79,639
Food services		437,290	485,611	111%	(48,321)
Interest and fiscal charges		33,739	-	0%	33,739
Total	\$	5,674,203	1,286,185	23%	4,388,018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District's only major governmental fund is the General Fund.

Assets of the General Fund comprise \$5,454,885 (88%) of the total \$6,197,005 in governmental funds' assets. Fund balance at June 30, 2018 was \$3,645,234, with a fund balance of \$3,625,222 assigned to the subsequent year's appropriations and public school support. The General Fund experienced a \$358,476 increase in fund balance, as the reasons for the increases in revenue and decreases in expenditures, excluding pension and OPEB expenditures, were the same as was discussed for governmental activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. Overall, General Fund expenditures came in \$960,170 under the final budget. The variance in regular instruction expenditures was due to planned staffing positions that were not filled; receiving guidance from ODE to fund certain salaries and fringes with Title I federal funding. The variances among the remaining functions was mainly due to conservative budgeting.

Significant differences between the actual and final budgets exist due to the School District's budget methodology. The School District's budget is passed with expenditures and other uses equal to the estimated available resources. Thus, the School District "over budgets" expenditures and budgets for contingencies.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018
Unaudited

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2018, the School District had invested in a broad range of capital assets, including land, buildings and equipment. During fiscal year 2018, the School District acquired \$148,845 in equipment and furniture, but incurred \$381,470 in depreciation expense, leading to the decrease in capital assets of approximately \$260,000. See Note 5 to the financial statements for more detail.

**Capital Assets at Year-End
(Net of Depreciation)**

		<u>FY2018</u>	<u>FY2017</u>
Land	\$	428,932	428,932
Buildings and improvements		9,333,338	9,607,792
Equipment and furniture		<u>538,707</u>	<u>524,095</u>
Total	\$	<u>10,300,977</u>	<u>10,560,819</u>

Debt

During the year ended June 30, 2018, the School District made its regularly scheduled payments for general obligation bonds and leases, with no new debt issuances during the fiscal year. The total amount outstanding on bonds and leases was \$919,315 as of June 30, 2018. See Notes 11 and 12 to the financial statements for more detail.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and 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 questions about this report or need additional financial information, contact the Treasurer's office at the New Miami Local School District, 600 Seven Mile Avenue, Hamilton, Ohio 45011.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,433,475
Receivables:	
Taxes	1,473,230
Accounts	14,923
Intergovernmental	164,524
Interest	20,330
Supplies inventory	22,890
Nondepreciable capital assets	428,932
Depreciable capital assets, net	<u>9,872,045</u>
Total assets	<u>16,430,349</u>
Deferred Outflows of Resources:	
Deferred charges on refunding	28,785
Pension	3,918,552
OPEB	<u>303,556</u>
Total deferred outflows of resources	<u>4,250,893</u>
Liabilities:	
Accounts payable	102,109
Accrued wages and benefits	640,503
Intergovernmental payable	110,699
Accrued interest payable	2,669
Noncurrent liabilities:	
Due within one year	246,626
Due within more than one year:	
Net pension liability	10,235,789
Net OPEB liability	2,318,219
Other amounts due more than one year	<u>880,799</u>
Total liabilities	<u>14,537,413</u>
Deferred Inflows of Resources:	
Property taxes levied for next fiscal year	1,030,804
Pension	417,181
OPEB	<u>259,938</u>
Total deferred inflows of resources	<u>1,707,923</u>
Net Position:	
Net investment in capital assets	9,368,057
Restricted for:	
Capital projects	233,792
Debt service	155,120
Other purposes	75,726
Unrestricted (deficit)	<u>(5,396,789)</u>
Total net position	<u>\$ 4,435,906</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Activities

Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Current:				
Instruction:				
Regular	\$ 1,194,829	\$ 8,829	\$ 258,273	\$ (927,727)
Special education	830,250	-	158,432	(671,818)
Other	208,428	-	93,131	(115,297)
Support services:				
Pupil	363,065	-	2,297	(360,768)
Instructional staff	222,555	-	148,267	(74,288)
Board of Education	73,244	-	-	(73,244)
Administration	404,921	-	4,766	(400,155)
Fiscal	216,048	-	-	(216,048)
Business	14,930	-	-	(14,930)
Operation and maintenance of plant	930,921	-	31,733	(899,188)
Pupil transportation	454,564	-	8,800	(445,764)
Central	123,734	-	-	(123,734)
Non-instructional services:				
Extracurricular activities	142,096	52,940	-	(89,156)
Community services	23,589	-	33,106	9,517
Food service	437,290	35,403	450,208	48,321
Interest on long-term debt	33,739	-	-	(33,739)
Total Governmental Activities	\$ 5,674,203	\$ 97,172	\$ 1,189,013	(4,388,018)
General Revenues:				
Property taxes, levied for general purposes				1,035,219
Property taxes, levied for debt services				161,911
Property taxes, levied for capital maintenance				23,348
Income taxes				598,447
Grants and entitlements not restricted to specific programs				6,700,068
Investment earnings				30,680
Miscellaneous				22,320
Total general revenues				8,571,993
Change in net position				4,183,975
Net position beginning of year, <i>restated</i>				251,931
Net position end of year				\$ 4,435,906

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 4,060,644	\$ 372,831	\$ 4,433,475
Receivables:			
Taxes	1,285,367	187,863	1,473,230
Accounts	14,524	399	14,923
Accrued interest	20,330	-	20,330
Intergovernmental	4,970	159,554	164,524
Materials and supplies inventory	1,417	21,473	22,890
Interfund receivable	67,633	-	67,633
Total assets	<u>\$ 5,454,885</u>	<u>\$ 742,120</u>	<u>\$ 6,197,005</u>
Liabilities:			
Accounts payable	\$ 80,331	\$ 21,778	\$ 102,109
Accrued wages and benefits	571,174	69,329	640,503
Intergovernmental payable	98,967	11,732	110,699
Interfund payable	-	67,633	67,633
Total liabilities	<u>750,472</u>	<u>170,472</u>	<u>920,944</u>
Deferred Inflows of Resources:			
Property taxes levied for next fiscal year	876,846	153,958	1,030,804
Unavailable revenue	182,333	67,731	250,064
Total deferred inflows of resources	<u>1,059,179</u>	<u>221,689</u>	<u>1,280,868</u>
Fund Balances:			
Nonspendable	1,417	21,473	22,890
Restricted	-	378,103	378,103
Assigned	3,625,222	-	3,625,222
Unassigned	18,595	(49,617)	(31,022)
Total fund balances	<u>3,645,234</u>	<u>349,959</u>	<u>3,995,193</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,454,885</u>	<u>\$ 742,120</u>	<u>\$ 6,197,005</u>

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balances \$ 3,995,193

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. 10,300,977

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

General obligation bonds	835,000	
Premium on refunding bonds	42,390	
Compensated absences	165,720	
Capital lease payable	41,315	
Lease-purchase agreement	43,000	
Accrued interest payable	<u>2,669</u>	(1,130,094)

Deferred outflows of resources from losses on refunding are amortized over the life of the bonds and are not reported in the funds. 28,785

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 250,064

The net pension and net OPEB liabilities are not due and payable in the current period, therefore, the liabilities and related deferred outflows and inflows of resources are not reported in the governmental funds:

Deferred outflows - pension	3,918,552	
Deferred outflows - OPEB	303,556	
Deferred inflows - pension	(417,181)	
Deferred inflows - OPEB	(259,938)	
Net pension liability	(10,235,789)	
Net OPEB liability	<u>(2,318,219)</u>	<u>(9,009,019)</u>

Net Position of Governmental Activities \$ 4,435,906

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,517,723	\$ 163,575	\$ 1,681,298
Tuition and fees	8,829	-	8,829
Interest	30,680	-	30,680
Intergovernmental	6,768,621	1,355,601	8,124,222
Charges for services	-	33,524	33,524
Other local revenues	51,097	53,470	104,567
Total revenues	<u>8,376,950</u>	<u>1,606,170</u>	<u>9,983,120</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,142,218	320,279	3,462,497
Special education	1,150,192	180,036	1,330,228
Other instruction	145,073	118,977	264,050
Support services:			
Pupil	431,168	4,725	435,893
Instructional staff	154,611	172,146	326,757
Board of Education	74,409	-	74,409
Administration	888,607	24,206	912,813
Fiscal	229,687	-	229,687
Business	14,930	-	14,930
Operation and maintenance of plant	985,076	11,375	996,451
Pupil transportation	438,421	17,267	455,688
Central	123,734	-	123,734
Non-instructional services:			
Extracurricular activities	177,641	41,972	219,613
Community services	-	23,589	23,589
Food services	-	463,581	463,581
Debt Service:			
Principal	17,886	190,000	207,886
Interest and fiscal charges	2,061	35,223	37,284
Total expenditures	<u>7,975,714</u>	<u>1,603,376</u>	<u>9,579,090</u>
Excess of revenues over expenditures	<u>401,236</u>	<u>2,794</u>	<u>404,030</u>
Other financing sources (uses):			
Transfers in	-	42,760	42,760
Transfers out	(42,760)	-	(42,760)
Total other financing sources (uses):	<u>(42,760)</u>	<u>42,760</u>	<u>-</u>
Net change in fund balance	358,476	45,554	404,030
Fund balance, beginning of year	3,286,758	304,405	3,591,163
Fund balance, end of year	<u>\$ 3,645,234</u>	<u>\$ 349,959</u>	<u>\$ 3,995,193</u>

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds	\$	404,030
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital asset additions		148,845
Depreciation expense		(381,470)
Losses on the sale or disposal of capital assets are reported on the statement of activities and not as expenditures of the governmental funds.		(27,217)
Repayment of bond, lease-purchase and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		207,886
In the statement of activities, interest is accrued and accreted on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		523
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated absences		(9,807)
Amortization of bond premiums		9,420
Amortization of deferred amount on refunding		(6,398)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.		(97,514)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
Pension		705,721
OPEB		25,417
Except for amounts reported as deferred outflows or deferred inflows of resources, changes in the net pension and OPEB liabilities are reported as negative pension and OPEB expenses in the statement of activities.		
Pension		2,907,604
OPEB		<u>296,935</u>
Change in Net Position of Governmental Activities	\$	<u>4,183,975</u>

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2018

	Private Purpose Trusts	Agency Funds
ASSETS		
Equity in pooled cash and cash equivalents	<u>\$ 57,566</u>	<u>\$ 18,866</u>
LIABILITIES		
Accounts payable	9,601	-
Due to student groups	<u>-</u>	<u>18,866</u>
Total liabilities	<u>9,601</u>	<u>\$ 18,866</u>
NET POSITION		
Held in trust	<u>\$ 47,965</u>	

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Changes in Net Position

Fiduciary Funds

Fiscal Year Ended June 30, 2018

	<u>Private Purpose Trusts</u>
Additions:	
Contributions	\$ 23,259
Total additions	<u>23,259</u>
Deductions:	
Community gifts, awards and scholarships	<u>10,101</u>
Total deductions	<u>10,101</u>
 Change in net position	 13,158
 Net position, beginning of year	 <u>34,807</u>
Net position, end of year	<u>\$ 47,965</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District provides education for New Miami, City View Heights, Overpeck and Williamsdale. The School District was chartered in 1937 and currently operates one elementary school (K-6) and one junior-senior high school (7-12) with a total enrollment of approximately 630 students. The School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. 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 reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the 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. The School District has no component units.

The School District is associated with three organizations; two of which are defined as a jointly governed organization and one is an insurance purchasing pool. These organizations include the Butler Technology and Career Development Schools, the Southwestern Ohio Computer Association, and the Butler Health Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

B. Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore 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 Fund financial statements report detailed information about the School District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

C. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental and fiduciary.

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, liabilities and deferred inflows of resources is reported as fund balance. The following is the School District's only major governmental fund:

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

Fiduciary funds report on net position and changes in net position. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District's private-purpose trust funds account for scholarship programs for students. Agency funds used by the School District to account for student activities are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made. The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, income taxes, interest, tuition, student fees, and grants.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

D. Basis of Accounting – *continued*

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 except for unmatured principal and interest on general long-term debt as well as expenditures related to compensated absences which are recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, fiduciary funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property and income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied.

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 non-exchange transactions must also be available before it can be recognized.

Deferred inflows of resources. 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(s) and so will not be recognized as an inflow of resources until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue, pension and other postemployment benefits (OPEB). Receivables for property taxes represent amounts that are measurable as of June 30, 2018, but are intended to finance fiscal year 2019 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end). Deferred inflows of resources from pension and OPEB are reported on the government-wide statement of net position (see Notes 8 and 9).

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

D. Basis of Accounting – *continued*

Deferred outflows of resources. In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For the School District, deferred outflows of resources include deferred charge on refunding, pension and OPEB. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources from pension and OPEB are reported on the government-wide statement of net position (see Notes 8 and 9)

E. Cash

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. 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 balance sheet.

The Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

F. Inventory

All inventories are valued at cost determined on a first-in, first-out basis. Inventory in governmental funds are recorded as expenditures in the governmental fund types when used.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$250 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their acquisition values as of the date received. 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 capitalized.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

G. Capital Assets – *continued*

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

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

Buildings	50 years
Building improvements	20 - 25 years
Equipment and furniture	7-20 years

H. 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. Sick leave benefits are accrued as a liability using the vesting method.

The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

I. 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 and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

J. Interfund Transactions

On fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net position.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

K. Pensions/ OPEB

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

L. 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 a spendable form, or legally or contractually required to be maintained intact. The “not in a 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. The School District does not currently have any committed fund balances.

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. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

L. Fund Balance – *continued*

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

The 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.

M. Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Estimates

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

O. Fund Deficits

At June 30, 2018, the following funds have a deficit fund balance:

Other Governmental Funds:	
Food Service	\$ 15,019
Miscellaneous Federal Grants	511
Special Education	25,391
Title I	8,696

The deficit fund balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

2. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 two-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 that 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 pass book accounts. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies are permitted to be deposited or invested in the following securities:

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

2. DEPOSITS AND INVESTMENTS—*continued*

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

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures".

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At fiscal year-end, \$1,367,124 of the School District's bank balance of \$1,617,124 was exposed to custodial credit risk since it was uninsured and collateralized with securities under the Ohio Treasurer's Ohio Pooled Collateral System, but not in the School District's name.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

2. DEPOSITS AND INVESTMENTS—*continued*

Investments

The School District's investments at June 30, 2018 are summarized as follows:

	Measurement Value at 6/30/18	Average Maturity (Years)	Concentration
Negotiable CD's	\$ 1,972,264	1.49	65%
U.S. Treasuries	997,720	0.13	33%
U.S. Money Markets	72,492	n/a	2%
	<u>\$ 3,042,476</u>		<u>100%</u>

Credit Risk. It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a failure of a counter party, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment securities are registered in the name of the School District.

Interest Rate Risk. In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the maturity of its investment portfolio to five years, unless they are matched to a specific obligation or debt of the School District.

Fair Value Measurements. The School District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The School District had the following reoccurring fair value measurements as of June 30, 2018:

	Measurement Value at 6/30/18	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value Level</u>				
Negotiable CD's	\$ 1,972,264	\$ -	\$ 1,972,264	\$ -
U.S. Treasuries	997,720	997,720	-	-
U.S. Money Markets (amortized cost)	72,492	n/a	n/a	n/a
	<u>\$ 3,042,476</u>	<u>\$ 997,720</u>	<u>\$ 1,972,264</u>	<u>\$ -</u>

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets, while investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment manager. U.S. money market investments are excluded from fair value measurement requirements, but are valued at amortized cost at June 30, 2018 which approximates fair value.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

3. INCOME TAXES

Effective in 1990, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2018, the School District recorded income tax revenue of \$598,447 in the entity-wide financials and a receivable as of June 30, 2018 of \$223,759.

4. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half 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 the prior 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 taxes revenue received in calendar year 2018 represent collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on 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 Butler County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018 are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2018. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2018, was \$41,429 in the General Fund, and \$7,644 in Other Governmental Funds. The assessed values upon which fiscal year 2018 taxes were collected are:

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

4. PROPERTY TAXES—continued

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 42,134,630	92.51%	42,732,350	92.36%
Public Utilities Personal	<u>3,411,590</u>	7.49%	<u>3,533,470</u>	7.64%
Total Assessed Value	\$ <u>45,546,220</u>	100.00%	<u>46,265,820</u>	100.00%

5. CAPITAL ASSETS

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

	Balance 7/1/17	Additions	Disposals	Balance 6/30/18
Governmental Activities				
Nondepreciable:				
Land	\$ 428,932	-	-	428,932
Depreciable:				
Buildings and improvements	13,722,653	-	-	13,722,653
Equipment and furniture	<u>2,279,262</u>	<u>148,845</u>	<u>(396,818)</u>	<u>2,031,289</u>
Subtotal	<u>16,001,915</u>	<u>148,845</u>	<u>(396,818)</u>	<u>15,753,942</u>
Totals at historical cost	<u>16,430,847</u>	<u>148,845</u>	<u>(396,818)</u>	<u>16,182,874</u>
Less accumulated depreciation:				
Buildings and improvements	4,114,861	274,454	-	4,389,315
Equipment and furniture	<u>1,755,167</u>	<u>107,016</u>	<u>(369,601)</u>	<u>1,492,582</u>
Total accumulated depreciation	<u>5,870,028</u>	<u>381,470</u>	<u>(369,601)</u>	<u>5,881,897</u>
Capital assets, net	\$ <u>10,560,819</u>	<u>(232,625)</u>	<u>(27,217)</u>	<u>10,300,977</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 350,584
Special	11,436
Support services:	
Instructional staff	353
Administration	3,475
Fiscal	439
Operation and maintenance of plant	14,043
Food services	<u>1,140</u>
Total depreciation expense	\$ <u>381,470</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

6. INTERFUND TRANSACTIONS

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

	Interfund		Transfers	
	Receivable	Payable	In	Out
General fund	\$ 67,633	-	-	42,760
Other governmental funds	-	67,633	42,760	-
	<u>\$ 67,633</u>	<u>67,633</u>	<u>42,760</u>	<u>42,760</u>

The interfund loans were made to provide operating capital. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the general fund to finance various programs and debt service accounted for in other funds in accordance with budgetary authorizations.

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District maintained comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

For fiscal year 2018, the School District participated in the Butler Health Plan, a group insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Plan provides insurance policies in whole or in part through one or more group insurance policies.

8. PENSION PLANS

Net Pension Liability

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

8. PENSION PLANS—continued

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

8. PENSION PLANS—continued

Age and service requirements for retirement are as follows:

Benefits	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

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

The School District’s contractually required contribution to SERS was \$162,355 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

8. PENSION PLANS—*continued*

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 will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions 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 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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 that 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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

8. PENSION PLANS—continued

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

The School District's contractually required contribution to STRS was \$543,366 for fiscal year 2018. Of this amount, \$91,296 is recorded as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for 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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 2,239,545	\$ 7,996,244	\$ 10,235,789
Proportion of the Net Pension Liability	0.03748%	0.03366%	
Change in Proportion	0.00268%	0.00329%	
(Negative) Pension Expense	\$ 18,537	\$ (2,926,141)	\$ (2,907,604)

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

8. PENSION PLANS—continued

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 96,383	\$ 308,777	\$ 405,160
Change in assumptions	115,809	1,748,868	1,864,677
Change in proportionate share and difference between employer contributions	180,092	762,902	942,994
School District's contributions subsequent to the measurement date	<u>162,355</u>	<u>543,366</u>	<u>705,721</u>
Total Deferred Outflows of Resources	<u>\$ 554,639</u>	<u>\$ 3,363,913</u>	<u>\$ 3,918,552</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 64,448	\$ 64,448
Net difference between projected and actual earnings on pension plan investments	10,630	263,886	274,516
Change in proportionate share and difference between employer contributions	<u>-</u>	<u>78,217</u>	<u>78,217</u>
Total Deferred Inflows of Resources	<u>\$ 10,630</u>	<u>\$ 406,551</u>	<u>\$ 417,181</u>

\$705,721 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 net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ 188,374	\$ 525,332	\$ 713,706
2020	182,739	884,308	1,067,047
2021	62,749	674,732	737,481
2022	<u>(52,208)</u>	<u>329,624</u>	<u>277,416</u>
	<u>\$ 381,654</u>	<u>\$ 2,413,996</u>	<u>\$ 2,795,650</u>

Actuarial Assumptions - SERS

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

8. PENSION PLANS—*continued*

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

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

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

Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%, including inflation
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

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% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

8. PENSION PLANS—continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stock	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 – Total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the 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%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$3,107,906	\$2,239,545	\$1,512,115

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

8. PENSION PLANS—continued

Actuarial Assumptions - STRS

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and prior
Inflation	2.50%	2.75%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, Including inflation	7.45%, net of investment expenses	7.75%. net of investment expenses
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter
Cost-of-living adjustments	0% effective July 1, 2017	2% simple for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5 th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

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

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

8. PENSION PLANS—continued

The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	6.84 %

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

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability 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%, 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%) or one-percentage-point higher (8.45%) 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	\$11,462,342	\$7,996,244	\$5,076,574

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

8. PENSION PLANS—*continued*

Social Security System

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2018 members of the Board of Education have elected social security. The School District's liability is 6.2% of wages paid.

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Net OPEB Liability

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

The net OPEB liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, health care cost trend rates 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 OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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 Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, the minimum compensation amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$19,404.

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$25,417 for fiscal year 2018. Of this amount \$19,404 is reported as an intergovernmental payable.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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% 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
Proportionate Share of the Net OPEB Liability	\$ 1,004,891	\$ 1,313,328	\$ 2,318,219
Proportion of the Net OPEB Liability	0.03744%	0.03366%	
Change in Proportion	0.00271%	0.00328%	
(Negative) OPEB Expense	\$ 78,744	\$ (375,679)	\$ (296,935)

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 75,816	\$ 75,816
Change in proportionate share and difference between employer contributions	51,843	150,480	202,323
School District's contributions subsequent to the measurement date	<u>25,417</u>	<u>-</u>	<u>25,417</u>
Total Deferred Outflows of Resources	<u>\$ 77,260</u>	<u>\$ 226,296</u>	<u>\$ 303,556</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$ 2,652	\$ 56,136	\$ 58,788
Change in assumptions	<u>95,358</u>	<u>105,792</u>	<u>201,150</u>
Total Deferred Inflows of Resources	<u>\$ 98,010</u>	<u>\$ 161,928</u>	<u>\$ 259,938</u>

\$25,417 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 and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (16,429)	\$ 6,050	\$ (10,379)
2020	(16,429)	6,050	(10,379)
2021	(12,646)	6,050	(6,596)
2022	(663)	6,050	5,387
2023	-	20,084	20,084
2024	<u>-</u>	<u>20,084</u>	<u>20,084</u>
	<u>\$ (46,167)</u>	<u>\$ 64,368</u>	<u>\$ 18,201</u>

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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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 consider the employee's entire career with the employer and 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, prepared as of June 30, 2017, are presented below:

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—continued

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 3.63%, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%) and one percentage point higher (4.63%) 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	\$1,213,534	\$1,004,891	\$839,593

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.5% decreasing to 4.0%) and one percentage point higher (8.5% decreasing to 6.0%) than the current rates.

	1% Decrease 6.5% decreasing to 4.0%)	Current Cost 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	\$815,394	\$1,004,891	\$1,255,694

Actuarial Assumptions - STRS

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

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6% - 11% initially, 4.50% ultimate
Cost-of-living adjustments	0% effective July 1, 2017

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	6.84 %

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 4.13%, 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%) and one percentage point higher (5.13%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower and 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	\$1,763,122	\$1,313,328	\$957,844
	1% Decrease	Current Cost Trend Rates	1% Increase
School District's proportionate share of the net OPEB liability	\$912,444	\$1,313,328	\$1,840,938

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

10. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 200 days for classified employees and teachers, and 253 days for administrators. Upon retirement, classified employee can receive payment for 25% of accrued, but unused sick leave up to a maximum of 50 days; teachers and administrators can receive payment for 30% of accrued, but unused sick leave up to a maximum of 55 days.

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term liabilities during fiscal year 2018 were as follows:

	<i>Restated</i> Principal Outstanding 7/1/17	Additions	Deletions	Principal Outstanding 6/30/18	Due Within One Year
Series 2010 refunding bonds	\$ 985,000	-	(150,000)	835,000	155,000
Premium on refunding bonds	51,810	-	(9,420)	42,390	-
Lease-purchase agreements	83,000	-	(40,000)	43,000	43,000
Capital lease	59,201	-	(17,886)	41,315	18,621
Compensated absences	183,628	35,579	(53,487)	165,720	30,005
Net pension liability:					
STRS	10,168,533	-	(2,172,289)	7,996,244	-
SERS	2,546,951	-	(307,406)	2,239,545	-
	<u>12,715,484</u>	<u>-</u>	<u>(2,479,695)</u>	<u>10,235,789</u>	<u>-</u>
Net OPEB liability:					
STRS	1,624,639	-	(311,311)	1,313,328	-
SERS	989,978	14,913	-	1,004,891	-
	<u>2,614,617</u>	<u>14,913</u>	<u>(311,311)</u>	<u>2,318,219</u>	<u>-</u>
	<u>\$ 16,692,740</u>	<u>50,492</u>	<u>(3,061,799)</u>	<u>13,681,433</u>	<u>246,626</u>

On May 24, 2010, the School District issued Series 2010 school improvement refunding bonds to refund \$1,235,000 of the Series 2000 bonds that were originally issued to construct a new building and renovate the junior/senior high school building. These bonds were issued at interest rates between 2.1% to 3.8% with final maturity at December 1, 2022 and will be retired from the debt service fund.

On August 13, 2009, the School District entered into a lease-purchase agreement in the amount of \$124,000 for football bleachers through the Ohio Association of School Business Official's Leased Asset Program. The payments are made from the debt service fund, with transfers from the general fund, and will mature in December 2018.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

11. LONG-TERM OBLIGATIONS—continued

In March 2004, the School District entered into a lease-purchase agreement in the amount of \$306,000 for school improvements through the Ohio Association of School Business Official's Leased Asset Program. The payments are made from the debt service fund, with transfers from the general fund, and will mature in December 2018.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences and the net pension and net OPEB liabilities will be paid from the fund from which the employees' salaries are paid, typically the General Fund. The School District's voted legal debt margin was \$3,328,924 with an unvoted debt margin of \$46,266 at June 30, 2018.

Principal and interest requirements to retire the Series 2010 bonds at June 30, 2018 are:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 155,000	27,695	182,695
2020	165,000	22,287	187,287
2021	170,000	16,255	186,255
2022	180,000	9,690	189,690
2023	165,000	3,135	168,135
Total	\$ <u>835,000</u>	<u>79,062</u>	<u>914,062</u>

Principal and interest requirements to retire the lease-purchase agreements at June 30, 2018 are:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 43,000	907	43,907

12. CAPITAL LEASES – LESSEE DISCLOSURE

During the prior fiscal year, the School District entered into a lease agreement for copiers in the amount of \$89,947. The lease meets the criteria of a capital lease as defined by generally accepted accounting principles. In the case of the copier lease, the term is sixty months. The net book value of capital lease equipment at June 30, 2018 was \$35,980. Capital lease payments have been reflected as debt service expenditures within the General Fund.

The following schedule of the future minimum lease payments for the capital lease and the present value of the future minimum lease payments at June 30, 2018:

Fiscal Year Ending June 30,		
2019	\$	19,946
2020		19,946
2021		3,323
Total		43,215
Less amount representing interest		(1,900)
Present value of minimum lease payments	\$	<u>41,315</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

13. FUND BALANCES

Fund balance is classified as nonspendable, restricted, 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 fund and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>			
Inventory	\$ 1,417	21,473	22,890
<i>Restricted for</i>			
Private Grants and Donations	-	5,880	5,880
Classroom Facilities Maintenance	-	219,078	219,078
Athletics	-	4,960	4,960
State Grant Programs	-	1,943	1,943
Debt Service Payments	-	134,883	134,883
Capital Improvements	-	11,359	11,359
<i>Total Restricted</i>	<u>-</u>	<u>378,103</u>	<u>378,103</u>
<i>Assigned to</i>			
Public School Support	18,280	-	18,280
Budget Resource	3,606,942	-	3,606,942
<i>Total Assigned</i>	<u>3,625,222</u>	<u>-</u>	<u>3,625,222</u>
<i>Unassigned (Deficit)</i>	<u>18,595</u>	<u>(49,617)</u>	<u>(31,022)</u>
<i>Total Fund Balance</i>	<u>\$ 3,645,234</u>	<u>349,959</u>	<u>3,995,193</u>

14. INSURANCE PURCHASING POOL

Butler Health Plan

The School District participates in the Butler Health Plan, an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from Butler Health Plan at P. O. Box 526, Middletown, Ohio 45042.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

15. JOINTLY GOVERNED ORGANIZATIONS

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools (Butler Tech), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Butler Tech was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Butler Tech. To obtain financial information, write to Butler Tech, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Southwestern Ohio Computer Association

The Southwestern Ohio Computer Association (SWOCA) 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 member schools of the three county consortiums supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

16. CONTINGENCIES

Litigation

The School District's attorney estimates that potential claims against the School District from legal proceedings would not materially affect the financial statements of the School District.

State and Federal Funding

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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 District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

17. REQUIRED SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2017	\$ -
Current year set-aside requirement	118,928
Current year qualifying expenditures	(68,544)
Current year offsets	<u>(50,384)</u>
Total	\$ <u>-</u>
Balance carried forward to fiscal year 2019	\$ <u>-</u>

Excess qualified expenditures for capital improvements do not carry forward.

18. CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

	<u>Governmental Activities</u>
Net Position at June 30, 2017	\$ 2,848,884
Adjustments:	
Net OPEB liability	(2,614,617)
Deferred outflow - payments subsequent to measurement date	<u>17,664</u>
Restated Net Position at June 30, 2017	\$ <u>251,931</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund

Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 1,493,200	\$ 1,511,613	\$ 1,511,613	\$ -
Tuition and fees	-	5,575	5,575	-
Interest	12,000	25,562	10,351	(15,211)
Intergovernmental	6,462,078	6,768,997	6,768,997	-
Other local revenues	5,000	11,501	11,501	-
Total revenues	<u>7,972,278</u>	<u>8,323,248</u>	<u>8,308,037</u>	<u>(15,211)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,822,130	3,822,330	3,243,558	578,772
Special education	1,159,730	1,164,030	1,139,009	25,021
Other instruction	205,250	205,758	134,433	71,325
Support services:				
Pupil	446,200	451,099	424,909	26,190
Instructional staff	232,579	233,979	154,288	79,691
Board of Education	86,172	88,275	73,200	15,075
Administration	1,019,810	1,023,010	931,094	91,916
Fiscal	238,464	238,464	227,710	10,754
Business	15,600	15,600	15,600	-
Operation and maintenance of plant	977,606	1,089,605	1,071,257	18,348
Pupil transportation	471,188	474,187	438,970	35,217
Central	125,000	125,000	123,734	1,266
Non-instructional services:				
Extracurricular activities	150,375	173,074	166,479	6,595
Total expenditures	<u>8,950,104</u>	<u>9,104,411</u>	<u>8,144,241</u>	<u>960,170</u>
Excess of revenues over/(under) expenditures	(977,826)	(781,163)	163,796	944,959
Other financing sources (uses):				
Transfers out	(50,000)	(50,000)	(42,760)	7,240
Advances in	47,893	48,393	48,393	-
Advances out	-	(47,035)	(47,035)	-
Other uses	(2,841,209)	(2,995,768)	-	2,995,768
Other sources	10,691	15,122	15,122	-
Total other financing sources (uses):	<u>(2,832,625)</u>	<u>(3,029,288)</u>	<u>(26,280)</u>	<u>3,003,008</u>
Net change in fund balance	(3,810,451)	(3,810,451)	137,516	\$ 3,947,967
Fund balance, beginning of year	3,645,335	3,645,335	3,645,335	
Prior year encumbrances appropriated	165,116	165,116	165,116	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,947,967</u>	

See accompanying notes to required supplementary information.

NEW MIAMI LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Five Years (1) (2)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.037483%	0.034800%	0.034590%	0.029830%	0.298300%
School District's Proportionate Share of the Net Pension Liability	\$ 2,239,545	\$ 2,546,951	\$ 1,973,882	\$ 1,509,477	\$ 1,773,656
School District's Covered Payroll	\$ 1,108,964	\$ 1,031,771	\$ 1,137,003	\$ 875,426	\$ 915,311
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	201.95%	246.85%	173.60%	172.43%	193.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

NEW MIAMI LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Five Years (1) (2)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03366%	0.03038%	0.03066%	0.03062%	0.03062%
School District's Proportionate Share of the Net Pension Liability	\$ 7,996,244	\$ 10,168,533	\$ 8,472,438	\$ 7,448,688	\$ 8,872,829
School District's Covered Payroll	\$ 3,603,986	\$ 3,593,664	\$ 3,475,986	\$ 3,369,554	\$ 3,254,238
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	221.87%	282.96%	243.74%	221.06%	272.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.78%	72.09%	74.70%	69.30%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit terms. Effective July 1, 2017, the COLA was reduced to zero.

NEW MIAMI LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District Pension Contributions
 School Employees Retirement System of Ohio
 Last Six Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 162,355	\$ 155,255	\$ 144,448	\$ 149,857	\$ 121,334
Contributions in Relation to the Contractually Required Contributions	<u>\$ (162,355)</u>	<u>\$ (155,255)</u>	<u>\$ (144,448)</u>	<u>\$ (149,857)</u>	<u>\$ (121,334)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 1,202,630	\$ 1,108,964	\$ 1,031,771	\$ 1,137,003	\$ 875,426
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%
	<u>2013</u>				
Contractually Required Contributions	\$ 126,679				
Contributions in Relation to the Contractually Required Contributions	<u>\$ (126,679)</u>				
Contribution Deficiency (Excess)	<u>\$ -</u>				
School District Covered Payroll	\$ 915,311				
Contributions as a Percentage of Covered Payroll	13.84%				

(1) The School District elected not to present information prior to 2013. The School District will continue to present information for years available until a full ten-year trend is compiled.

NEW MIAMI LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District Pension Contributions
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 543,366	\$ 504,558	\$ 503,113	\$ 486,638	\$ 438,042
Contributions in Relation to the Contractually Required Contributions	<u>\$ (543,366)</u>	<u>\$ (504,558)</u>	<u>\$ (503,113)</u>	<u>\$ (486,638)</u>	<u>\$ (438,042)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,881,186	\$ 3,603,986	\$ 3,593,664	\$ 3,475,986	\$ 3,369,554
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%
	<u>2013</u>				
Contractually Required Contributions	\$ 423,051				
Contributions in Relation to the Contractually Required Contributions	<u>\$ (423,051)</u>				
Contribution Deficiency (Excess)	<u>\$ -</u>				
School District Covered Payroll	\$ 3,254,238				
Contributions as a Percentage of Covered Payroll	13.00%				

(1) The School District elected not to present information prior to 2013. The School District will continue to present information for years available until a full ten-year trend is compiled.

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information
Schedule of School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Years (1) (2)

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.037444%	0.034732%
School District's Proportionate Share of the Net OPEB Liability	\$ 1,004,891	\$ 989,978
School District's Covered Payroll	\$ 1,108,964	\$ 1,031,771
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	90.62%	95.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

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

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

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information
 Schedule of School District's Proportionate Share of the Net OPEB Liability
 State Teachers Retirement System of Ohio
 Last Two Years (1) (2)

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.033661%	0.030378%
School District's Proportionate Share of the Net OPEB Liability	\$ 1,313,328	\$ 1,624,639
School District's Covered Payroll	\$ 3,603,986	\$ 3,593,664
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	36.44%	45.21%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.11%	37.30%

- (1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.
- (2) Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

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

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

NEW MIAMI LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District OPEB Contributions
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contributions (2)	\$ 25,417	\$ 17,664	\$ 15,286
Contributions in Relation to the Contractually Required Contributions	<u>\$ (25,417)</u>	<u>\$ (17,664)</u>	<u>\$ (15,286)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 1,202,630	\$ 1,108,964	\$ 1,031,771
Contributions as a Percentage of Covered Payroll (2)	2.11%	1.59%	1.48%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Includes Surcharge

NEW MIAMI LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District OPEB Contributions
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contributions (2)	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,881,186	\$ 3,603,986	\$ 3,593,664
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) STRS did not allocate a portion of the employer contribution rate towards health care.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Fiscal Year Ended June 30, 2018

Note A Budgetary Basis of Accounting

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

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

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

Encumbrances are treated as expenditures for all funds (budget basis) rather than as an expenditure when liquidated (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

Net change in fund balance - GAAP Basis	\$	<u>358,476</u>
Increase / (decrease):		
Due to inclusion of Uniform School Supply Fund		(593)
Due to inclusion of Rotary Fund		(101)
Due to inclusion of Public School Support Fund		(2,136)
Due to revenues		(41,295)
Due to expenditures		(117,513)
Due to other sources (uses)		16,480
Due to encumbrances		<u>(75,802)</u>
Net change in fund balance - Budget Basis	\$	<u><u>137,516</u></u>

New Miami Local School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2018

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	2018	10.555	\$ 26,718	26,718
<i>Cash Assistance:</i>				
School Breakfast Program	2018	10.553	115,270	115,270
National School Lunch Program	2018	10.555	<u>284,399</u>	<u>284,399</u>
<i>Cash Assistance Subtotal</i>			<u>399,669</u>	<u>399,669</u>
Nutrition Cluster Total			<u>426,387</u>	<u>426,387</u>
Fresh Fruit and Vegetable Program	2018	10.582	17,144	17,144
State Administrative Expenses for Child Nutrition	1820OH811N8103	10.560	-	<u>24,989</u>
Total U.S. Department of Agriculture			<u>443,531</u>	<u>468,520</u>
U.S. Department of Education:				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	S010A160035	84.010	-	2,090
Title I Grants to Local Educational Agencies	S010A170035	84.010	82,927	36,887
Title I Grants to Local Educational Agencies	S010A180035	84.010	<u>356,366</u>	<u>374,263</u>
			<u>439,293</u>	<u>413,240</u>
Special Education Cluster:				
Special Education - Grants to States	H027A180111	84.027	176,914	176,914
Special Education - Preschool Grants	H173A180111	84.173	<u>2,297</u>	<u>2,297</u>
Special Education Cluster Total			<u>179,211</u>	<u>179,211</u>
Supporting Effective Instruction State Grant	S367A180034	84.367	34,232	34,232
Comprehensive Literacy Development	S371C170019	84.371	-	511
Student Support & Academic Enrichment	S424A180036	84.424	<u>10,000</u>	<u>10,000</u>
Total U.S. Department of Education			<u>662,736</u>	<u>637,194</u>
Total Federal Awards			<u>\$ 1,106,267</u>	<u>1,105,714</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed.

NOTE D - NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

This page intentionally left blank.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Education
New Miami Local School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District ("School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 6, 2018, wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 6, 2018

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE****INDEPENDENT AUDITORS' REPORT**

To the Board of Education
New Miami Local School District:

Report on Compliance for Each Major Federal Program

We have audited New Miami Local School District's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 6, 2018

**New Miami Local School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued :	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	none
Identification of major programs:	
<i>Nutrition Cluster:</i>	
<i>CFDA 10.553 – School Breakfast Program</i>	
<i>CFDA 10.555 – National School Lunch Program</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Schedule of Prior Audit Findings

None





Dave Yost • Auditor of State

NEW MIAMI LOCAL SCHOOL DISTRICT

BUTLER 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
DECEMBER 27, 2018**