



Dave Yost • Auditor of State



**MADEIRA CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Fiduciary Assets and Liabilities Fiduciary Funds .....	19
Notes to the Basic Financial Statements.....	21
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio – Last Five Fiscal Years.....	60
Schedule of the District's Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio – Last Five Fiscal Years .....	61
Schedule of the District Contributions for Net Pension Liability State Teachers Retirement System of Ohio – Last Ten Fiscal Years .....	62
Schedule of the District Contributions for Net Pension Liability School Employees Retirement System of Ohio – Last Ten Fiscal Years.....	64
Schedule of the District's Proportionate Share of the Net Postemployment Benefits Other Than Pension (OPEB) Liability – State Teachers Retirement System of Ohio Last Two Fiscal Years.....	66

MADEIRA CITY SCHOOL DISTRICT  
HAMILTON COUNTY

TABLE OF CONTENTS  
(Continued)

TITLE	PAGE
Schedule of the District's Proportionate Share of the Net Postemployment Benefits Other Than Pension (OPEB) Liability – School Employees Retirement System of Ohio Last Two Fiscal Years.....	67
Schedule of the District Contributions to Postemployment Benefits Other Than Pension (OPEB) – State Teachers Retirement System of Ohio Last Three Fiscal Years .....	68
Schedule of the District Contributions to Postemployment Benefits Other Than Pension (OPEB) – School Employees Retirement System of Ohio Last Three Fiscal Years .....	69
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	70
Notes to Required Supplementary Information .....	71
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	75



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Madeira City School District  
Hamilton County  
7465 Loannes Drive  
Cincinnati, Ohio 45243

To the Board of Education:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

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

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***Emphasis of Matter***

As discussed in Note 20 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 21, 2018

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

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

### **Financial Highlights**

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased \$15,169,387 from 2017.
- General revenues accounted for \$26,188,334 in revenue or 92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,196,540 or 8% of total revenues of \$28,384,874.
- The District had \$13,215,487 in expenses related to governmental activities; \$2,196,540 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$26,188,334 were also used to provide for these programs.

### **Overview of the Financial Statements**

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

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

### **Government-wide Financial Statements**

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

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

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

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

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

### **Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

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

### **The District as a Whole**

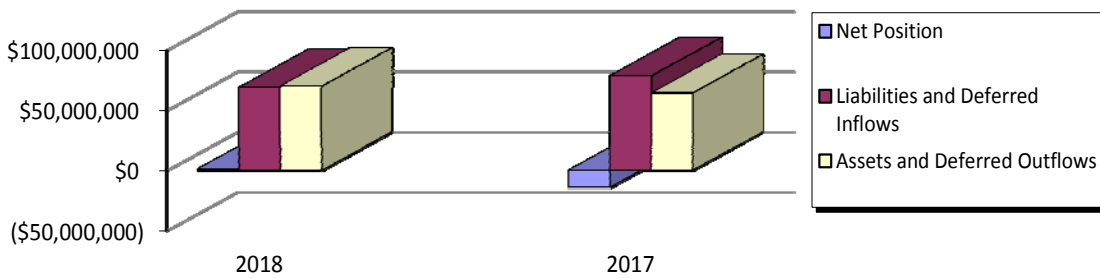
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017:



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

**Table 1  
Net Position**

	Governmental Activities	
	2018	2017-Restated
<b>Assets:</b>		
Current and Other Assets	\$35,093,805	\$29,640,051
Capital Assets	26,516,450	27,459,375
<b>Total Assets</b>	<b>61,610,255</b>	<b>57,099,426</b>
<b>Deferred Outflows of Resources:</b>		
Deferred Charge on Refunding	94,496	103,946
OPEB	241,822	43,808
Pension	7,840,425	6,985,183
<b>Total Deferred Outflows of Resources</b>	<b>8,176,743</b>	<b>7,132,937</b>
<b>Liabilities:</b>		
Other Liabilities	2,605,120	2,702,255
Long-Term Liabilities	52,822,476	64,522,287
<b>Total Liabilities</b>	<b>55,427,596</b>	<b>67,224,542</b>
<b>Deferred Inflows of Resources:</b>		
Property Tax	11,132,147	10,677,031
Revenue in Lieu of Taxes	237,225	210,000
OPEB	693,207	0
Pension	1,221,714	215,068
<b>Total Deferred Inflows of Resources</b>	<b>13,284,293</b>	<b>11,102,099</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	5,395,432	5,610,004
Restricted	3,149,991	2,750,852
Unrestricted	(7,470,314)	(22,455,134)
<b>Total Net Position</b>	<b>\$1,075,109</b>	<b>(\$14,094,278)</b>



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

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

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$7,337,349) to (\$14,094,278).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$1,075,109.

At year-end, capital assets represented 38% of total assets and deferred outflows. Capital assets include land, construction in progress, buildings and improvements, and equipment. Net investment in capital assets at June 30, 2018, totaled \$5,395,432. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$3,149,991 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets increased due to an increase in tax receivable and pooled cash and investments. Capital assets decreased due to depreciation expense being greater than current year additions. Other liabilities remained relatively consistent from 2018 to 2017. Long term liabilities decreased mainly due to a decrease in net pension liability (see footnotes for more information on this change). Deferred outflows of resources related to pension increased and deferred inflows of resources related to pension increased mainly due to a change in the net difference between projected and actual earnings on pension plan investments.

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

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

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$1,198,582	\$1,098,970
Operating Grants and Contributions	997,958	931,593
Capital Grants and Contributions	0	100,000
Total Program Revenues	2,196,540	2,130,563
General Revenues:		
Property Taxes	20,123,693	15,838,121
Grants and Entitlements	4,768,210	4,841,701
Other	1,296,431	472,199
Total General Revenues	26,188,334	21,152,021
Total Revenues	28,384,874	23,282,584
Program Expenses:		
Instruction	6,699,346	13,442,491
Support Services:		
Pupil and Instructional Staff	1,065,173	2,126,002
School and General Administration, Fiscal and Business	1,399,295	2,171,475
Operations and Maintenance	1,222,354	1,363,183
Pupil Transportation	932,749	948,398
Central	13,104	0
Operation of Non-Instructional Services	400,467	721,874
Extracurricular Activities	280,211	666,819
Interest and Fiscal Charges	1,202,788	956,102
Total Program Expenses	13,215,487	22,396,344
Changes in Net Position	15,169,387	886,240
Net Position - Beginning of Year, Restated	(14,094,278)	N/A
Net Position - End of Year	\$1,075,109	(\$14,094,278)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$43,808 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB

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

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expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$910,246. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	\$13,215,487
Negative OPEB expense under GASB 75	910,246
2018 contractually required contribution	53,030
Adjusted 2018 operating expenses	<u>14,178,763</u>
Total 2017 operating expenses under GASB 45	<u>22,396,344</u>
Change in operating expenses not related to OPEB	<u><u>(\$8,217,581)</u></u>

The District revenues came from mainly two sources. Property taxes levied for general and debt service purposes, as well as grants and entitlements comprised 88% of the District's revenues for governmental activities.

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

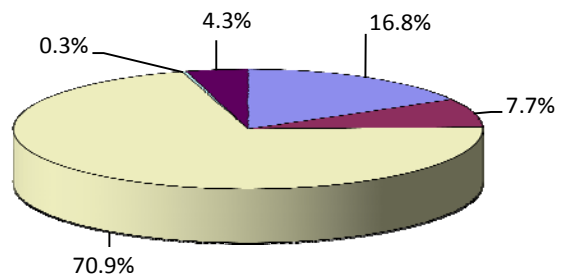
Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Property taxes made up 71% of governmental activities for the District in fiscal year 2018. The District's reliance upon tax revenues is demonstrated in the following graph:

**Governmental Activities  
Revenue Sources**

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Revenue Sources	2018	Percent of Total
General Grants	\$4,768,210	16.8%
Program Revenues	2,196,540	7.7%
General Tax Revenues	20,123,693	70.9%
Investment Earnings	86,853	0.3%
Other Revenues	1,209,578	4.3%
	<u>\$28,384,874</u>	<u>100.0%</u>



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

Instruction comprises 51% of governmental program expenses. Support services expenses were 35% of governmental program expenses. All other expenses including interest expense were 14%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenues increased from the prior year mainly due to an increase in property tax advances available. Total Expenses decreased in 2018 as compared to 2017 primarily due to changes related to net pension liability and other post employment benefits liability.

**Governmental Activities**

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

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$6,699,346	\$13,442,491	(\$5,867,437)	(\$12,669,280)
Support Services:				
Pupil and Instructional Staff	1,065,173	2,126,002	(1,000,495)	(2,073,783)
School and General Administration,				
Fiscal and Business	1,399,295	2,171,475	(1,399,295)	(2,171,475)
Operations and Maintenance	1,222,354	1,363,183	(1,216,075)	(1,357,302)
Pupil Transportation	932,749	948,398	(906,553)	(935,960)
Central	13,104	0	(13,104)	0
Operation of Non-Instructional Services	400,467	721,874	506,773	79,494
Extracurricular Activities	280,211	666,819	80,027	(181,373)
Interest and Fiscal Charges	1,202,788	956,102	(1,202,788)	(956,102)
Total Expenses	<u>\$13,215,487</u>	<u>\$22,396,344</u>	<u>(\$11,018,947)</u>	<u>(\$20,265,781)</u>

**The District’s Funds**

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these funds comprised \$34,014,928 (97%) of the total \$35,094,457 governmental fund assets.

**General Fund:** Fund balance at June 30, 2018 was \$16,809,249. Fund balance increased \$4,461,310 from the prior year. The primary reason for the increase in fund balance was an increase in property tax revenues.

**Debt Service Fund:** Fund balance at June 30, 2018 was \$2,887,981. Fund balance increased \$291,594 from 2017. The primary reason for the increase in fund balance is due to a decrease in the amount of debt service payments made during the year.

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

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**General Fund Budgeting Highlights**

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

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

For the General Fund, final budget basis estimated revenue was \$21,975,769, compared to original budget estimates of \$20,322,718. Of the \$1,653,051 difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District’s ending unobligated actual fund balance for the General Fund was \$11,920,015.

**Capital Assets and Debt Administration**

***Capital Assets***

At fiscal year end, the District had \$26,516,450 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

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

	Governmental Activities	
	2018	2017
Land	\$1,233,381	\$1,233,381
Construction in Progress	15,500	0
Buildings and Improvements	25,135,761	26,092,397
Equipment	131,808	133,597
Total Net Capital Assets	<u>\$26,516,450</u>	<u>\$27,459,375</u>

The District continues its ongoing commitment to maintaining and improving its capital assets. See Note 6 to the basic financial statements for further details on the District’s capital assets.

***Debt***

At fiscal year end, the District had \$22,338,024 in bonds and capital leases payable, \$744,079 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

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

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**Table 5  
Outstanding Debt at Year End**

---

	Governmental Activities	
	2018	2017
General Obligation Bonds:		
2006 School Improvement Refunding Bonds:		
Current Interest	\$9,605,000	\$9,605,000
Capital Appreciation	1,485,000	2,060,000
Accretion of Interest	838,578	1,000,304
2017 Refunding Bonds:		
Current Interest	10,040,000	10,065,000
Capital Leases	<u>369,446</u>	<u>369,476</u>
Total Bonds and Capital Leases	<u>\$22,338,024</u>	<u>\$23,099,780</u>

See Note 7-9 to the basic financial statements for further details on the District’s long-term obligations.

**For the Future**

In June, 2011, Ohio’s Governor signed HB153, the state biennium budget bill for 2012 and 2013. Language included in HB153 eliminated the OEBM funding model. In June 2013, Ohio’s Governor signed HB59, the state biennium budget bill for 2014 and 2015. A new funding model was introduced. Simulations received from the state indicate Madeira will continue to be guaranteed funding amounts that were received in the previous biennium with no increase in funding.

In June 2015, Ohio’s Governor signed HB64, the state biennium budget bill for 2016 and 2017. No new funding model was introduced. Simulations received from the state indicate Madeira will continue to be guaranteed funding amounts that were received in the previous biennium with no increase in funding.

Due to the uncertain and ever changing State budget allocation to public schools, the district will be required to manage carefully and prudently the resources currently available. With careful planning the monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Madeira City School District, 7465 Loannes Drive, Cincinnati, Ohio 45243.



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

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$16,105,265
Receivables (Net):	
Taxes	18,603,104
Accounts	43,343
Interest	14,756
Intergovernmental	300,644
Prepaid Items	26,693
Nondepreciable Capital Assets	1,248,881
Depreciable Capital Assets, Net	<u>25,267,569</u>
 Total Assets	 <u>61,610,255</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	94,496
OPEB	7,840,425
	<u>241,822</u>
 Total Deferred Outflows of Resources	 <u>8,176,743</u>
 Liabilities:	
Accounts Payable	43,033
Accrued Wages and Benefits	2,504,572
Accrued Interest Payable	57,515
Long-Term Liabilities:	
Due Within One Year	863,192
Due In More Than One Year	
Net Pension Liability	24,435,622
Net OPEB Liability	5,342,268
Other Amounts	<u>22,181,394</u>
 Total Liabilities	 <u>55,427,596</u>
 Deferred Inflows of Resources:	
Property Taxes	11,132,147
Revenue in Lieu of Taxes	237,225
Pension	1,221,714
OPEB	<u>693,207</u>
 Total Deferred Inflows of Resources	 <u>13,284,293</u>
 Net Position:	
Net Investment in Capital Assets	5,395,432
Restricted for:	
Debt Service	2,885,104
Federal Grants	1,004
District Managed Activities	66,686
Auxiliary Services	12,910
Other Purposes	184,287
Unrestricted	<u>(7,470,314)</u>
 Total Net Position	 <u><u>\$1,075,109</u></u>

See accompanying notes to the basic financial statements.

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

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,959,438	\$214,411	\$77,674	(\$4,667,353)
Special	1,308,801	47,624	491,934	(769,243)
Vocational	0	0	266	266
Other	431,107	0	0	(431,107)
Support Services:				
Pupil	625,006	0	26,689	(598,317)
Instructional Staff	440,167	0	37,989	(402,178)
General Administration	54,827	0	0	(54,827)
School Administration	191,037	0	0	(191,037)
Fiscal	1,062,907	0	0	(1,062,907)
Business	90,524	0	0	(90,524)
Operations and Maintenance	1,222,354	6,279	0	(1,216,075)
Pupil Transportation	932,749	0	26,196	(906,553)
Central	13,104	0	0	(13,104)
Operation of Non-Instructional Services	400,467	570,030	337,210	506,773
Extracurricular Activities	280,211	360,238	0	80,027
Interest and Fiscal Charges	1,202,788	0	0	(1,202,788)
Totals	<u>\$13,215,487</u>	<u>\$1,198,582</u>	<u>\$997,958</u>	<u>(11,018,947)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	18,145,667
Debt Service Purposes	1,978,026
Grants and Entitlements, Not Restricted	4,768,210
Revenue in Lieu of Taxes	237,225
Unrestricted Contributions	77,695
Investment Earnings	86,853
Other Revenues	894,658

Total General Revenues 26,188,334

Change in Net Position 15,169,387

Net Position - Beginning of Year, Restated (14,094,278)

Net Position - End of Year \$1,075,109

See accompanying notes to the basic financial statements.

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$12,928,901	\$2,162,981	\$1,013,383	\$16,105,265
<b>Receivables (Net):</b>				
Taxes	16,588,438	2,014,666	0	18,603,104
Accounts	41,865	0	1,478	43,343
Interest	14,756	0	0	14,756
Intergovernmental	237,225	0	63,419	300,644
Interfund	652	0	0	652
Prepaid Items	25,444	0	1,249	26,693
<b>Total Assets</b>	<b>29,837,281</b>	<b>4,177,647</b>	<b>1,079,529</b>	<b>35,094,457</b>
<b>Liabilities:</b>				
Accounts Payable	38,551	0	4,482	43,033
Accrued Wages and Benefits	2,386,987	0	117,585	2,504,572
Interfund Payable	0	0	652	652
<b>Total Liabilities</b>	<b>2,425,538</b>	<b>0</b>	<b>122,719</b>	<b>2,548,257</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	10,353,567	1,289,666	0	11,643,233
Investment Earnings	11,702	0	0	11,702
Grants	0	0	3,991	3,991
Revenue in Lieu of Taxes	237,225	0	0	237,225
<b>Total Deferred Inflows of Resources</b>	<b>10,602,494</b>	<b>1,289,666</b>	<b>3,991</b>	<b>11,896,151</b>
<b>Fund Balances:</b>				
Nonspendable	25,444	0	1,249	26,693
Restricted	0	2,887,981	262,297	3,150,278
Assigned	199,821	0	716,517	916,338
Unassigned	16,583,984	0	(27,244)	16,556,740
<b>Total Fund Balances</b>	<b>16,809,249</b>	<b>2,887,981</b>	<b>952,819</b>	<b>20,650,049</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$29,837,281</b>	<b>\$4,177,647</b>	<b>\$1,079,529</b>	<b>\$35,094,457</b>

See accompanying notes to the basic financial statements.

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

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Total Governmental Fund Balance \$20,650,049

Amounts reported for governmental activities in the  
 statement of net position are different because:

Capital assets used in governmental activities are not financial  
 resources and, therefore, are not reported in the funds.

Capital assets used in the operation of Governmental Funds 26,516,450

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

Delinquent Property Taxes	511,086	
Interest	11,702	
Intergovernmental	<u>3,991</u>	
		526,779

In the statement of net position interest payable is accrued when  
 incurred; whereas, in the governmental funds interest is  
 reported as a liability only when it will require the use of  
 current financial resources. (57,515)

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

Compensated Absences (706,562)

Deferred charge on refunding associated with long-term liabilities  
 that are not reported in the funds. 94,496

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

Deferred outflows of resources related to pensions	7,840,425	
Deferred inflows of resources related to pensions	(1,221,714)	
Deferred outflows of resources related to OPEB	241,822	
Deferred outflows of resources related to OPEB	<u>(693,207)</u>	
		6,167,326

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

Net Pension Liability	(24,435,622)	
Net OPEB Liability	(5,342,268)	
Other Amounts	<u>(22,338,024)</u>	
		<u>(52,115,914)</u>

Net Position of Governmental Activities \$1,075,109

See accompanying notes to the basic financial statements.

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$18,041,790	\$1,980,801	\$0	\$20,022,591
Tuition and Fees	251,045	0	0	251,045
Investment Earnings	54,997	14,868	5,286	75,151
Intergovernmental	4,721,373	272,066	836,462	5,829,901
Extracurricular Activities	186,136	0	174,102	360,238
Charges for Services	581,020	0	0	581,020
Revenue in Lieu of Taxes	237,225	0	0	237,225
Gifts and Donations	67,695	0	792,129	859,824
Other Revenues	103,348	0	15,459	118,807
<b>Total Revenues</b>	<b>24,244,629</b>	<b>2,267,735</b>	<b>1,823,438</b>	<b>28,335,802</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	9,085,003	0	89,558	9,174,561
Special	2,474,421	0	293,316	2,767,737
Other	431,107	0	0	431,107
<b>Support Services:</b>				
Pupil	1,545,029	0	27,858	1,572,887
Instructional Staff	532,499	0	38,482	570,981
General Administration	54,827	0	0	54,827
School Administration	1,422,148	0	0	1,422,148
Fiscal	605,028	25,907	660,000	1,290,935
Business	54,169	0	0	54,169
Operations and Maintenance	1,408,319	0	35,672	1,443,991
Pupil Transportation	951,019	0	273	951,292
Central	11,738	0	0	11,738
Operation of Non-Instructional Services	493,754	0	319,272	813,026
Extracurricular Activities	407,614	0	199,439	607,053
Capital Outlay	0	0	74,153	74,153
<b>Debt Service:</b>				
Principal Retirement	251,411	600,000	0	851,411
Interest and Fiscal Charges	6,614	1,350,234	0	1,356,848
<b>Total Expenditures</b>	<b>19,734,700</b>	<b>1,976,141</b>	<b>1,738,023</b>	<b>23,448,864</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,509,929</b>	<b>291,594</b>	<b>85,415</b>	<b>4,886,938</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of Capital Leases	251,381	0	0	251,381
Transfers In	0	0	300,000	300,000
Transfers (Out)	(300,000)	0	0	(300,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(48,619)</b>	<b>0</b>	<b>300,000</b>	<b>251,381</b>
<b>Net Change in Fund Balance</b>	<b>4,461,310</b>	<b>291,594</b>	<b>385,415</b>	<b>5,138,319</b>
<b>Fund Balance - Beginning of Year</b>	<b>12,347,939</b>	<b>2,596,387</b>	<b>567,404</b>	<b>15,511,730</b>
<b>Fund Balance - End of Year</b>	<b>\$16,809,249</b>	<b>\$2,887,981</b>	<b>\$952,819</b>	<b>\$20,650,049</b>

See accompanying notes to the basic financial statements.

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

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Net Change in Fund Balance - Total Governmental Funds \$5,138,319

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	239,666	
Depreciation Expense	<u>(1,182,591)</u>	(942,925)

Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.

District Pension Contributions	1,710,090	
Pension Expense	7,679,007	
District OPEB Contributions	53,030	
OPEB Expense	<u>910,246</u>	10,352,373

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	101,102	
Interest	11,702	
Intergovernmental	<u>(63,732)</u>	49,072

Repayment of bond principal, capital appreciation bonds principal and interest are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,511,411

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 1,784

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	(181,542)	
Amortization of Deferred Charge on Refunding	(9,450)	
Bond Accretion	<u>(498,274)</u>	(689,266)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (251,381)

Change in Net Position of Governmental Activities \$15,169,387

See accompanying notes to the basic financial statements.

Madeira City School District  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund  
June 30, 2018

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$112,377</u>
Total Assets	<u>112,377</u>
Liabilities:	
Other Liabilities	<u>112,377</u>
Total Liabilities	<u>\$112,377</u>

See accompanying notes to the basic financial statements.

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

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**Note 1 - Description of the District**

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The District was chartered by the Ohio State Legislature. In 1949 state laws were enacted to create local Boards of Education. Today, the 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 District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 60 non-certificated personnel and 119 certificated teaching and 8 administrative personnel to provide services to students and other community members.

The District currently operates 1 elementary school (grades K-4), 1 middle school (grades 5-8), and 1 senior high school (grades 9-12).

**Reporting Entity**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, as amended by GASB Statement 39 and GASB Statement 61, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities. The District contracts with outside organizations for pupil transportation and food service.

The following activities are included within the reporting entity:

Within the District boundaries, St. Gertrude Elementary School is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity of this State money by the District is reflected in a special revenue fund for financial reporting purposes.

The District is associated with five organizations, of which four are defined as jointly governed organizations and the fifth is a group insurance consortium. These organizations include the Unified Purchasing Cooperative of Ohio River Valley, Great Oaks Institute of Technology and Career Development, Hamilton/Clermont Cooperative Association/Computer Consortium, the Greater Cincinnati Insurance Consortium and the Southwestern Ohio Educational Purchases Council (Workers' Compensation Group Rating Program).

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

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**Note 2 - Summary of Significant Accounting Policies**

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The financial statements of the 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 most significant of the District's accounting policies are described below.

**Measurement Focus**

**Government-wide Financial Statements**

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

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

**Fund Financial Statements**

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

**Fund Accounting**

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

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

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**Governmental Funds**

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows, and liabilities and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a Student Activity agency fund which accounts for assets and liabilities generated by student managed activities. The District also has an OHSAA Tournament agency fund which accounts for assets and liabilities generated by high school athletic programs.

**Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include pension, a deferred charge on refunding, and other post employment benefits. These amounts are reported on the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes, pension and OPEB, investment earnings and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes tax incremental financing (TIF). These amounts are deferred and recognized as inflows of resources in the period the amounts become available. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows related to pension and OPEB are reported on the government-wide statement of net position. See Notes 9 and 10 for further explanation.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

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

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Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

**Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the debt service fund during fiscal year 2018 amounted to \$14,868, \$54,997 for the general fund and \$5,286 for other governmental funds.

**Prepaid Items**

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

**Capital Assets**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 50 years
Equipment	5 - 20 years

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

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**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences are recognized when due. The related liabilities are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or policies. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated Year Round Employees</u>
How earned	Not Eligible	15-20 days for each service year depending on length of service.	10-20 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	15-20 days	10-20 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
How Earned Regular Full Time	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Regular Part Time	4.6 hrs paid sick leave for 80 hrs of service	4.6 hrs paid sick leave for 80 hrs of service	4.6 hrs paid sick leave for 80 hrs of service
<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
Maximum Accumulation	260	260	260
Vested	As Earned	As Earned	As Earned
Termination Entitlement	30% up to a max of 66 days	30% up to a max of 66 days	30% up to a max of 66 days

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

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**Pensions/Other Postemployment Benefits (OPEB)**

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

**Net Position**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$3,149,991 in restricted net position, none were restricted by enabling legislation.

**Interfund Activity**

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

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

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

**Fund Balance**

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

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

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

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

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

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

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

**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.

**Note 3 - Equity in Pooled Cash and Investments**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:



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

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- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

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**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, \$11,333,015 of the District's bank balance of \$11,583,015 was exposed to custodial credit risk because it was uninsured and collateralized.

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

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

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

**Investments**

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

Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Federal Home Loan Mortgage	\$245,674	Level 2	1.15
Federal Home Loan Bank	297,187	Level 2	0.98
Federal National Mortgage Association	541,251	Level 2	1.19
Federal Farm Credit Bank	196,367	Level 2	1.79
Negotiable CDs	2,522,072	Level 2	1.91
Commercial Paper	61,032	Level 2	0.34
Money Market Funds	178,057	N/A	0.00
U.S. Treasury Notes	397,098	Level 1	1.46
Total Fair Value	\$4,438,738		
Portfolio Weighted Average Maturity			1.57

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2018.

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

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Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the 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 the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Mortgage, Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association, and Treasury Notes were rated AAA by Standard & Poor’s and Fitch ratings and Aaa by Moody’s Investment Service. The District’s investments in Commercial Paper was rated A-1+ by Standard & Poor’s ratings and P-1 by Moody’s Investment Service. Money Market Funds and Negotiable CDs were not rated. Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 6% in Federal Home Loan Mortgage, 7% in Federal Home Loan Bank, 57% in Negotiable CDs, 12% in Federal National Mortgage Association, 4% in Federal Farm Credit Bank, 1% in Commercial Paper, 4% in Money Market Funds, and 9% in U.S. Treasury Notes.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

**Note 4 - Property Taxes**

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Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2018 (other than public utility property tax) represents the collection of 2018 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives

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

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property taxes from Hamilton County. The County Auditor periodically advances to the 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 2019 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that 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 for that portion not intended to finance \$6,057,000 in the General Fund and \$725,000 in the Debt Service Fund.

The assessed value, by property classification, upon which taxes collected in 2018 were based as follows:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$364,812,260
Public Utility Personal	<u>6,834,700</u>
Total	<u><u>\$371,646,960</u></u>

**Note 5 – Receivables**

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Receivables at June 30, 2018, consisted of taxes, accounts, interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**Note 6 - Capital Assets**

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

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,233,381	\$0	\$0	\$1,233,381
Construction in Progress	0	15,500	0	15,500
Total Capital Assets, not being depreciated	1,233,381	15,500	0	1,248,881
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	37,182,361	191,852	0	37,374,213
Equipment	1,213,328	32,314	0	1,245,642
<i>Total Capital Assets, being depreciated:</i>	38,395,689	224,166	0	38,619,855
Totals at Historical Cost	<u>39,629,070</u>	<u>239,666</u>	<u>0</u>	<u>39,868,736</u>
Less Accumulated Depreciation:				
Buildings and Improvements	11,089,964	1,148,488	0	12,238,452
Equipment	1,079,731	34,103	0	1,113,834
Total Accumulated Depreciation	<u>12,169,695</u>	<u>1,182,591</u>	<u>0</u>	<u>13,352,286</u>
Governmental Activities Capital Assets, Net	<u>\$27,459,375</u>	<u>(\$942,925)</u>	<u>\$0</u>	<u>\$26,516,450</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$985,155
Special	43,157
Other Instruction	53,088
Support Services:	
School Administration	1,068
Business	64,243
Operations and Maintenance	27,054
Central	1,366
Operation of Non-Instructional Services	1,879
Extracurricular Activities	5,581
Total Depreciation Expense	<u>\$1,182,591</u>

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

**Note 7 - Long-Term Liabilities**

The change in the District's long-term obligations during the year consists of the following:

	Rate	Maturity Dates	Restated Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>							
General Obligation Bonds:							
2006 School Improvement Refunding Bonds -							
Current Interest	4.10%	12/1/32	\$9,605,000	\$0	\$0	\$9,605,000	\$0
Capital Appreciation	4.00%	12/1/20	2,060,000	0	(575,000)	1,485,000	525,000
Accretion of Interest		12/1/20	1,000,304	498,274	(660,000)	838,578	0
2017 Refunding -							
Current Interest	1.85%	12/1/27	10,065,000	0	(25,000)	10,040,000	25,000
Total General Obligation Bonds			22,730,304	498,274	(1,260,000)	21,968,578	550,000
Capital Leases:							
2017 Technology Lease/Purchase	2.38%	3/1/20	146,159	0	(47,578)	98,581	48,711
2018 Technology Lease/Purchase	1.69%	3/1/17	0	251,381	(66,030)	185,351	59,854
2015 Computer Lease	1.95%	7/1/18	53,841	0	(53,841)	0	0
2015 Camargo Road Bus Lot	1.85%	7/15/18	169,476	0	(83,962)	85,514	85,514
Total Capital Leases			369,476	251,381	(251,411)	369,446	194,079
Net Pension Liabilities							
STRS			28,145,158	0	(8,232,784)	19,912,374	0
SERS			5,831,065	0	(1,307,817)	4,523,248	0
Total Net Pension Liability			33,976,223	0	(9,540,601)	24,435,622	0
Net OPEB Liabilities							
STRS			4,496,772	0	(1,226,301)	3,270,471	0
SERS			2,303,965	0	(232,168)	2,071,797	0
Total Net OPEB Liability			6,800,737	0	(1,458,469)	5,342,268	0
Total Long-Term Liabilities			63,876,740	749,655	(12,510,481)	52,115,914	744,079
Compensated Absences			645,647	218,777	(157,862)	706,562	119,113
Total Governmental Activities			\$64,522,387	\$968,432	(\$12,668,343)	\$52,822,476	\$863,192

General obligation bonds will be paid from the debt service fund. Capital leases will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$25,000	\$689,771	\$714,771	\$0	\$0	\$0
2020	25,000	689,309	714,309	525,000	695,000	1,220,000
2021	25,000	688,846	713,846	495,000	730,000	1,225,000
2022	1,280,000	676,774	1,956,774	465,000	775,000	1,240,000
2023	1,325,000	652,678	1,977,678	0	0	0
2024-2028	7,360,000	2,871,240	10,231,240	0	0	0
2029-2033	9,605,000	1,317,619	10,922,619	0	0	0
Total	<u>\$19,645,000</u>	<u>\$7,586,237</u>	<u>\$27,231,237</u>	<u>\$1,485,000</u>	<u>\$2,200,000</u>	<u>\$3,685,000</u>

**Note 8 - Capital Leases**

The District has capital leases for various technology equipment and computers.

The leases meet the criteria of capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the General Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year Ending June 30,	Long-Term Debt
2019	\$204,183
2020	117,088
2021	66,031
Total Minimum Lease Payments	387,302
Less: Amount Representing Interest	(17,856)
Present Value of Minimum Lease Payments	<u>\$369,446</u>

Capital assets acquired under the capital leases are as follows:

Equipment	\$867,883
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**Note 9 - Defined Benefit Pension Plans**

**Net Pension Liability**

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

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

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

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

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

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

**Plan Description - School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 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.



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

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Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.20% for the first thirty years of service and 2.50% for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

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

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

The contractually required contribution to SERS was \$338,874 for fiscal year 2018. Of this amount \$129,534 is reported as accrued wages and benefits.

**Plan Description - State Teachers Retirement System (STRS)**

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

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

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The contractually required contribution to STRS was \$1,371,216 for fiscal year 2018. Of this amount \$239,744 is reported as accrued wages and benefits.

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,523,248	\$19,912,374	\$24,435,622
Proportion of the Net Pension Liability:			
Current Measurement Date	0.07570570%	0.08382317%	
Prior Measurement Date	<u>0.07966940%</u>	<u>0.08408283%</u>	
Change in Proportionate Share	-0.00396370%	-0.00025966%	
Pension Expense	(\$154,590)	(\$7,524,417)	(\$7,679,007)

At June 30, 2018, 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	\$194,665	\$768,922	\$963,587
Changes of assumptions	233,901	4,355,055	4,588,956
Changes in employer proportionate share of net pension liability	142,994	434,798	577,792
Contributions subsequent to the measurement date	<u>338,874</u>	<u>1,371,216</u>	<u>1,710,090</u>
Total Deferred Outflows of Resources	<u>\$910,434</u>	<u>\$6,929,991</u>	<u>\$7,840,425</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$160,486	\$160,486
Net difference between projected and actual earnings on pension plan investments	21,471	657,131	678,602
Changes in employer proportionate share of net pension liability	<u>178,297</u>	<u>204,329</u>	<u>382,626</u>
Total Deferred Inflows of Resources	<u>\$199,768</u>	<u>\$1,021,946</u>	<u>\$1,221,714</u>

\$1,710,090 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$219,304	\$954,204	\$1,173,508
2020	239,008	1,993,062	2,232,070
2021	18,925	1,241,705	1,260,630
2022	<u>(105,445)</u>	<u>347,858</u>	<u>242,413</u>
Total	<u>\$371,792</u>	<u>\$4,536,829</u>	<u>\$4,908,621</u>

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

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**Actuarial Assumptions - SERS**

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

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

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

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

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

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

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

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

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

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and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

**Discount Rate**

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

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$6,277,093	\$4,523,248	\$3,054,046

**Changes in Benefit Terms**

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

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

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**Actuarial Assumptions - STRS**

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

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

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

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

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

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

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

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

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

**Discount Rate**

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

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

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

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$28,543,710	\$19,912,374	\$12,641,767

**Changes in Assumptions**

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate

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

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was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**Changes in Benefit Terms**

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

**Note 10 - Defined Benefit Other Postemployment Benefits (OPEB) Plans**

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**Net Other Postemployment Benefits (OPEB) Liability**

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

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

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

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

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

**Plan Description - School Employees Retirement System (SERS)**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare



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

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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](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was \$40,479.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$53,030 for fiscal year 2018. Of this amount \$40,479 is reported as accrued wages and benefits.

**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](http://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

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

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employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,071,797	\$3,270,471	\$5,342,268
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.07719820%	0.08382317%	
Prior Measurement Date	0.08083039%	0.08408283%	
Change in Proportionate Share	<u>-0.00363219%</u>	<u>-0.00025966%</u>	
OPEB Expense	\$89,709	(\$999,955)	(\$910,246)

At June 30, 2018, 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	\$0	\$188,792	\$188,792
Contributions subsequent to the measurement date	<u>53,030</u>	<u>0</u>	<u>53,030</u>
Total Deferred Outflows of Resources	<u>\$53,030</u>	<u>\$188,792</u>	<u>\$241,822</u>
Deferred Inflows of Resources			
Changes of assumptions	\$196,603	\$263,447	\$460,050
Net difference between projected and actual earnings on pension plan investments	5,471	139,787	145,258
Changes in employer proportionate share of net pension liability	<u>75,996</u>	<u>11,903</u>	<u>87,899</u>
Total Deferred Inflows of Resources	<u>\$278,070</u>	<u>\$415,137</u>	<u>\$693,207</u>

\$53,030 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

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Fiscal Year Ending June 30:	SERS	STRS	Total
2019	(\$100,135)	(\$49,374)	(\$149,509)
2020	(100,135)	(49,374)	(149,509)
2021	(76,431)	(49,373)	(125,804)
2022	(1,369)	(49,372)	(50,741)
2023	0	(14,426)	(14,426)
Thereafter	0	(14,426)	(14,426)
Total	<u>(\$278,070)</u>	<u>(\$226,345)</u>	<u>(\$504,415)</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.

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

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

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

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

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

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

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

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

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

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

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

**Discount Rate**

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

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

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

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	\$2,501,959	\$2,071,797	\$1,730,999

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

	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	\$1,681,108	\$2,071,797	\$2,588,880

**Changes in Assumptions – SERS**

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

**Municipal Bond Index Rate:**

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Actuarial Assumptions - STRS**

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

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

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

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

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

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

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

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7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

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

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

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

**Discount Rate**

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

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

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of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

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

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	\$4,390,555	\$3,270,471	\$2,385,239

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$2,272,183	\$3,270,471	\$4,584,334

**Changes in Assumptions – STRS**

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

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



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

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**Note 11 - Contingent Liabilities**

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**Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**Grants**

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

**Litigation**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**Note 12 - Jointly Governed Organizations**

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*Unified Purchasing Cooperative of Ohio River Valley* - The Unified Purchasing Cooperative of Ohio River Valley is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office, and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments.

*Great Oaks Career Campuses* - The Great Oaks Career Campuses is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative each of the participating school districts' elected board. The Institute possesses its own budgeting and taxing authority. To obtain financial information write to the Great Oaks Career Campuses, Treasurer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

*Hamilton/Clermont Cooperative* - The District is a participant in the Hamilton/Clermont Cooperative (HCC) which is a computer consortium. HCC is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to

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

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administrative and instructional functions among member school districts. The governing board of HCC consists of the superintendents and/or treasurers of the participating members. HCC is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the HCC, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

*Greater Cincinnati Insurance Consortium* – The District is a member of the Greater Cincinnati Insurance Consortium (GCIC) which is a group insurance consortium. The consortium has 14 member schools and provides a wide range of group insurance benefits to each member schools employees and dependents and designated beneficiaries. The purpose of the consortium is to establish and maintain a fund to provide and/or purchase health insurance, dental insurance, life insurance and other insurance benefits to employees, their dependents and designated beneficiaries. The consortium is governed by a Board of Directors made up from one representative of each school district/service center.

**Note 13 - Risk Management**

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The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2018, the District contracted with Liberty Mutual for property, commercial general liability insurance, auto, umbrella, computer, and mechanical insurance.

General liability is provided by Liberty Mutual with \$1,000,000 each occurrence \$2,000,000 aggregate limit. Commercial Umbrella Liability Insurance is provided by Liberty Mutual with \$5,000,000 each occurrence and \$5,000,000 aggregate limit. Vehicles are covered by Liberty Mutual with a \$1,000,000 liability limit. Workers Compensation and Employers' Liability is covered by Liberty Mutual with \$1,000,000 each accident and \$1,000,000 policy limit. The Treasurer is covered by a bond in the amount of \$50,000. The Superintendent and Board President are covered by bonds in the amount of \$20,000 each. The District has elected to provide employee medical, dental and life insurance through Greater Cincinnati Insurance Consortium. The employees share the cost of the monthly premium for the coverage with the Board.

For fiscal year 2018, the District participated in the Ohio School Comp Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Liberty Mutual Insurance & Co. provides administrative, cost control and actuarial services to the GRP.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

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

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**Note 14 - Insurance Purchasing Pool**

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*Liberty Mutual Insurance Company* - The School District participates in the Ohio School Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the Superintendent, President, and Treasurer. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Note 15 - Accountability**

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The following individual fund had a deficit in fund balance at year end:

Fund	Deficit
Special Revenue:	
Special Education IDEA B	\$13,666
Title I	6,243
School Reading Incentive Award	6,402

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

**Note 16 - Fund Balance Reserves For Set-Asides**

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The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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.

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2017	\$0
Current Year Set Aside Requirements	259,391
Qualified Disbursements	(334,301)
Set Aside Reserve Balance as of June 30, 2018	<u>(74,910)</u>
Restricted Cash as of June 30, 2018	<u>\$0</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements for capital maintenance reserve during the year were \$334,301, which exceeded the required set-aside and reserve balance.

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

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**Note 17 - Interfund Transactions**

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

	Transfers		Interfund	
	In	Out	Receivable	Payable
General Fund	\$0	\$300,000	\$652	\$0
Other Governmental Funds	300,000	0	0	652
Total All Funds	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$652</u>	<u>\$652</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**Note 18 - Fund Balances**

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Prepays	\$25,444	\$0	\$1,249	\$26,693
Total Nonspendable	<u>25,444</u>	<u>0</u>	<u>1,249</u>	<u>26,693</u>
Restricted for:				
Other Local Grants	\$0	\$0	\$91,752	\$91,752
Consumer Economics	0	0	66,686	66,686
Auxiliary Services	0	0	12,594	12,594
Career Education	0	0	15	15
Debt Service	0	2,887,981	0	2,887,981
Assistance Tech Grant	0	0	250	250
Education Foundation Funding	0	0	91,000	91,000
Total Restricted	<u>0</u>	<u>2,887,981</u>	<u>262,297</u>	<u>3,150,278</u>
Assigned to:				
Public School Support	24,181	0	0	24,181
Encumbrances	175,640	0	0	175,640
Permanent Improvement	0	0	716,517	716,517
Total Assigned	<u>199,821</u>	<u>0</u>	<u>716,517</u>	<u>916,338</u>
Unassigned (Deficit)	<u>16,583,984</u>	<u>0</u>	<u>(27,244)</u>	<u>16,556,740</u>
Total Fund Balance	<u>\$16,809,249</u>	<u>\$2,887,981</u>	<u>\$952,819</u>	<u>\$20,650,049</u>

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

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**Note 19 - Tax Abatements**

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As of June 30, 2018, the District has taxes abated on its behalf by the City of Madeira for a TIF agreement.

<u>Tax Abatement Programs</u>	<u>District's Share of Taxes Abated</u>
TIF	
Kenwood Senior Star	\$237,225

The abatements will be terminated if the property is deemed delinquent, behind on payments, or the terms and conditions of the TIF are not adhered to and no recapture provisions noted.

**Note 20 – Implementation of New Accounting Principles and Restatement of Net Position**

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

GASB Statement No. 81 sets out to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

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

GASB Statement No. 86 sets out to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The

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

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implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net position June 30, 2017	(\$7,337,349)
Adjustments:	
Net OPEB Liability	(6,800,737)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>43,808</u>
Restated Net Position June 30, 2017	<u><u>(\$14,094,278)</u></u>

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

***REQUIRED SUPPLEMENTARY INFORMATION***

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.08382317%	0.08408283%	0.08152803%	0.08278181%	0.08278181%
District's Proportionate Share of the Net Pension Liability	\$19,912,374	\$28,145,058	\$22,531,963	\$20,135,401	\$23,911,099
District's Covered Payroll	\$10,046,014	\$9,090,000	\$8,559,943	\$9,035,815	\$9,397,662
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	198.21%	309.63%	263.23%	222.84%	254.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information.



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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.07570570%	0.07966940%	0.07747540%	0.07221000%	0.07221000%
District's Proportionate Share of the Net Pension Liability	\$4,523,248	\$5,831,065	\$4,420,821	\$3,654,507	\$4,289,329
District's Covered Payroll	\$2,317,643	\$1,912,114	\$2,341,912	\$2,075,786	\$2,510,116
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	195.17%	304.95%	188.77%	176.05%	170.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,371,216	\$1,406,442	\$1,272,600	\$1,198,392	\$1,174,656
Contributions in Relation to the Contractually Required Contribution	<u>(1,371,216)</u>	<u>(1,406,442)</u>	<u>(1,272,600)</u>	<u>(1,198,392)</u>	<u>(1,174,656)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered Payroll	\$9,794,400	\$10,046,014	\$9,090,000	\$8,559,943	\$9,035,815
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%

See accompanying notes to the required supplementary information.

2013	2012	2011	2010	2009
\$1,221,696	\$1,170,024	\$1,172,880	\$1,169,376	\$1,163,820
<u>(1,221,696)</u>	<u>(1,170,024)</u>	<u>(1,172,880)</u>	<u>(1,169,376)</u>	<u>(1,163,820)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,397,662	\$9,000,185	\$9,022,154	\$8,995,200	\$8,952,462
13.00%	13.00%	13.00%	13.00%	13.00%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$338,874	\$324,470	\$267,696	\$308,664	\$287,704
Contributions in Relation to the Contractually Required Contribution	<u>(338,874)</u>	<u>(324,470)</u>	<u>(267,696)</u>	<u>(308,664)</u>	<u>(287,704)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered Payroll	\$2,510,178	\$2,317,643	\$1,912,114	\$2,341,912	\$2,075,786
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%

See accompanying notes to the required supplementary information.

2013	2012	2011	2010	2009
\$347,400	\$332,136	\$318,960	\$281,112	\$250,476
(347,400)	(332,136)	(318,960)	(281,112)	(250,476)
\$0	\$0	\$0	\$0	\$0
\$2,510,116	\$2,469,413	\$2,537,470	\$2,076,160	\$2,545,488
13.84%	13.45%	12.57%	13.54%	9.84%

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.08382317%	0.08408283%
District's Proportionate Share of the Net OPEB Liability	\$3,270,471	\$4,496,772
District's Covered Payroll	\$10,046,014	\$9,090,000
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	32.55%	49.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.07719820%	0.08083039%
District's Proportionate Share of the Net OPEB Liability	\$2,071,797	\$2,303,965
District's Covered Payroll	\$2,317,643	\$1,912,114
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.39%	120.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered Payroll	\$9,794,400	\$10,046,014	\$9,090,000
Contributions to OPEB as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

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

See accompanying notes to the required supplementary information.



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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution to OPEB (2)	\$53,030	\$25,500	\$41,356
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(53,030)</u>	<u>(25,500)</u>	<u>(41,356)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered Payroll	\$2,510,178	\$2,317,643	\$1,912,114
Contributions to OPEB as a Percentage of Covered Payroll	2.11%	1.10%	2.16%

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

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$15,430,179	\$16,685,271	\$16,735,252	\$49,981
Tuition and Fees	130,861	141,505	141,929	424
Investment Earnings	80,946	87,530	87,792	262
Intergovernmental	4,353,184	4,707,272	4,721,373	14,101
Extracurricular Activities	87,301	94,402	94,685	283
Charges for Services	10,133	10,957	10,990	33
Other Revenues	230,114	248,832	249,577	745
Total Revenues	<u>20,322,718</u>	<u>21,975,769</u>	<u>22,041,598</u>	<u>65,829</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,900,816	8,909,869	8,862,169	47,700
Special	2,473,103	2,475,619	2,462,365	13,254
Other	432,987	433,427	431,107	2,320
Support Services:				
Pupil	1,474,195	1,475,694	1,467,794	7,900
Instructional Staff	554,440	555,004	552,033	2,971
General Administration	56,294	56,352	56,050	302
School Administration	1,438,522	1,439,985	1,432,276	7,709
Fiscal	611,815	612,437	609,158	3,279
Business	56,975	57,033	56,728	305
Operations and Maintenance	1,467,514	1,469,007	1,461,142	7,865
Pupil Transportation	954,716	955,687	950,571	5,116
Central	12,206	12,218	12,153	65
Extracurricular Activities	392,432	392,831	390,728	2,103
Capital Outlay	87,477	87,566	87,097	469
Total Expenditures	<u>18,913,492</u>	<u>18,932,729</u>	<u>18,831,371</u>	<u>101,358</u>
Excess of Revenues Over (Under) Expenditures	<u>1,409,226</u>	<u>3,043,040</u>	<u>3,210,227</u>	<u>167,187</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,365	2,557	2,565	8
Transfers (Out)	(301,308)	(301,615)	(300,000)	1,615
Total Other Financing Sources (Uses)	<u>(298,943)</u>	<u>(299,058)</u>	<u>(297,435)</u>	<u>1,623</u>
Net Change in Fund Balance	1,110,283	2,743,982	2,912,792	168,810
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>9,007,223</u>	<u>9,007,223</u>	<u>9,007,223</u>	<u>0</u>
Fund Balance - End of Year	<u>\$10,117,506</u>	<u>\$11,751,205</u>	<u>\$11,920,015</u>	<u>\$168,810</u>

See accompanying notes to the required supplementary information.

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

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**Note 1 – Budgetary Process**

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All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2018.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$4,461,310
Revenue Accruals	(2,203,031)
Expenditure Accruals	1,065,427
Issuance of Debt	(251,381)
Proceeds of Capital Assets	2,565
Encumbrances	<u>(162,098)</u>
Budget Basis	<u><u>\$2,912,792</u></u>

**Note 2 - SERS Change in Assumptions-Net Pension Liability**

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

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

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**Changes in Assumptions**

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

**Changes in Benefit Terms**

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

**Note 4 - SERS Change in Assumptions-Net OPEB Liability**

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Note 5 - STRS Change in Assumptions-Net OPEB Liability**

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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.

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# Dave Yost • Auditor of State

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

Madeira City School District  
Hamilton County  
7465 Loannes Drive  
Cincinnati, Ohio 45243

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madeira City School District, Hamilton County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2018, wherein we noted the District adopted Governmental Accounting Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242  
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 21, 2018





# Dave Yost • Auditor of State

**MADEIRA CITY SCHOOL DISTRICT**

**HAMILTON 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  
JANUARY 3, 2019**