



Certified Public Accountants, A.C.

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT
HAMILTON COUNTY
Single Audit
For the Year Ended June 30, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



Board of Education
St. Bernard-Elmwood Place City School District
105 Washington Avenue
St. Bernard, Ohio 45217

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

February 14, 2019

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**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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INDEPENDENT AUDITOR'S REPORT

December 19, 2018

St. Bernard-Elmwood Place City School District
Hamilton County
105 Washington Avenue
St. Bernard, Ohio 45217

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 **St. Bernard-Elmwood Place 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 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.

www.perrycpas.com

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 St. Bernard-Elmwood Place 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.

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*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, required budgetary comparison for the General fund, and schedules of net pension liabilities 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.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

St. Bernard-Elmwood Place City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

The discussion and analysis of St. Bernard-Elmwood Place 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 basic 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 \$10,879,379 which represents a 49.5% increase from 2017.
- General revenues accounted for \$13,870,639 in revenue or 73% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,233,332 or 27% of total revenues of \$19,103,971.
- The District had \$8,244,592 in expenses related to governmental activities; \$5,233,332 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13,870,639 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 Fund and the Classroom Facilities Fund are the only 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.

St. Bernard-Elmwood Place City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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

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

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

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the 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

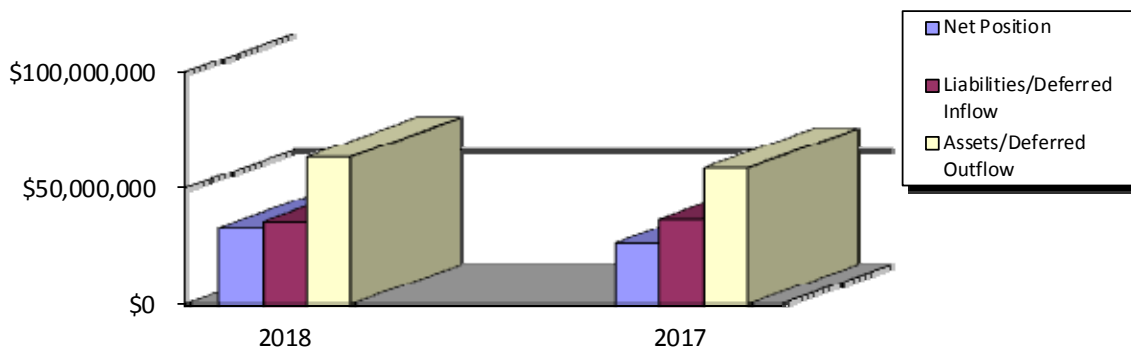
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017:

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**St. Bernard-Elmwood Place 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
Assets:		
Current and Other Assets	\$60,515,871	\$56,803,983
Capital Assets	2,925,937	2,071,092
Total Assets	63,441,808	58,875,075
Deferred Outflows of Resources:		
Pension	4,613,910	3,802,850
OPEB	161,139	22,564
Total Deferred Outflows of Resources	4,775,049	3,825,414
Liabilities:		
Other Liabilities	1,176,239	1,092,329
Long-Term Liabilities	29,920,217	36,100,227
Total Liabilities	31,096,456	37,192,556
Deferred Inflows of Resources:		
Property Taxes	2,693,274	2,894,161
Pension	1,124,977	652,644
Grants and Other Taxes	14,873	0
OPEB	446,770	0
Total Deferred Inflows of Resources	4,279,894	3,546,805
Net Position:		
Net Investment in Capital Assets	2,628,171	1,699,958
Restricted	27,965,463	27,984,256
Unrestricted	2,246,873	(7,723,086)
Total Net Position	\$32,840,507	\$21,961,128



St. Bernard-Elmwood Place City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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

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

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

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

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

St. Bernard-Elmwood Place City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension 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 \$26,178,717 to \$21,961,128.

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 of resources exceeded liabilities and deferred inflows of resources by \$32,840,507.

At year-end, capital assets represented 5% of total assets. Capital assets include land, buildings and improvements, construction in process, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2018, were \$2,628,171. 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, \$27,965,493 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets increased from the prior year due primarily to an increase in cash and capital assets. Long-term liabilities decreased mainly due to a decrease in the net pension liability.

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

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St. Bernard-Elmwood Place City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues		
Charges for Services and Sales	\$1,835,300	\$1,630,919
Operating Grants, Contributions	3,398,032	3,349,705
General Revenues:		
Property Taxes	6,254,248	5,891,329
Grants and Entitlements	6,771,577	6,728,881
Other	844,814	27,955,255
Total Revenues	<u>19,103,971</u>	<u>45,556,089</u>
Program Expenses:		
Instruction	4,343,578	8,659,244
Support Services:		
Pupil and Instructional Staff	728,472	1,239,711
School Administrative, General		
Administration, Fiscal and Business	455,727	1,657,051
Operations and Maintenance	845,899	1,599,822
Pupil Transportation	272,549	364,231
Central	137,854	252,735
Operation of Non-Instructional Services	931,979	1,421,373
Extracurricular Activities	101,886	312,086
Interest and Fiscal Charges	406,648	270,423
Total Program Expenses	<u>8,224,592</u>	<u>15,776,676</u>
Change in Net Position	10,879,379	29,779,413
Net Position - Beginning of Year, Restated	<u>21,961,128</u>	<u>N/A</u>
Net Position - End of Year	<u>\$32,840,507</u>	<u>\$21,961,128</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$22,564 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$590,611. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

**St. Bernard-Elmwood Place City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Total 2018 operating expenses under GASB 75	\$8,224,592
Negative OPEB expense under GASB 75	590,611
2018 contractually required contribution	30,560
Adjusted 2018 operating expenses	<u>8,845,763</u>
Total 2017 operating expenses under GASB 45	<u>15,776,676</u>
Change in operating expenses not related to OPEB	<u><u>(\$6,930,913)</u></u>

Of the total governmental activities revenues of \$19,103,971, \$5,233,332 is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$6,254,248 (45%) comes from property tax levies and \$6,771,577 (49%) is from state funding. This District's operations are reliant upon its property tax levy and the state's foundation program.

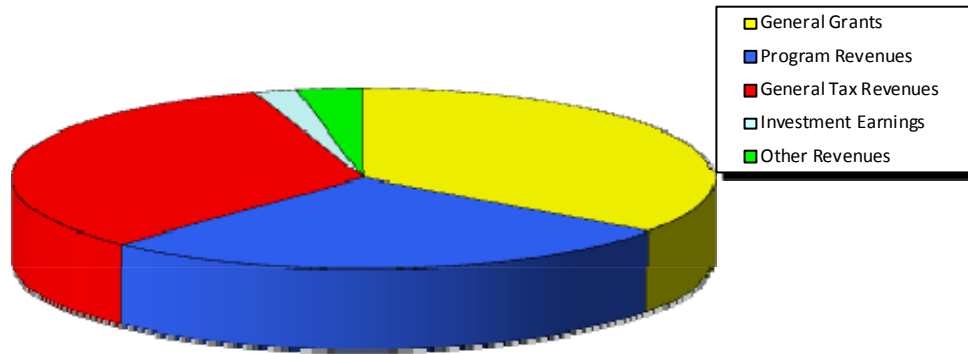
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner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

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service.

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**St. Bernard-Elmwood Place City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

	<u>2018</u>	<u>Percentage</u>
General Grants	\$6,771,577	35.00%
Program Revenues	5,233,332	27.00%
General Tax Revenues	6,254,248	33.00%
Investment Earnings	305,213	2.00%
Other Revenues	<u>539,601</u>	<u>3.00%</u>
Total Revenue Sources	<u>\$19,103,971</u>	<u>100.00%</u>



Instruction comprises 53% of governmental program expenses. Support services expenses were 42% of governmental program expenses. All other expenses including interest expense were 5%. Interest expense was attributable to the outstanding borrowing for capital projects.

Property taxes increased primarily due to an increase in the amount of personal property tax (monies received from Hamilton County) received by the District in 2018 compared to 2017, while general grants (monies received from state sources) increased from 2017 to 2018. Total expenses for fiscal year 2018 when compared to fiscal year 2017 decreased due 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 government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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**St. Bernard-Elmwood Place City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$4,343,578	\$8,659,244	(\$815,077)	(\$5,273,196)
Support Services:				
Pupil and Instructional Staff	728,472	1,239,711	(569,399)	(1,066,801)
School Administrative, General Administration, and Fiscal	455,727	1,657,051	(417,443)	(1,640,124)
Operations and Maintenance	845,899	1,599,822	(845,899)	(1,599,822)
Pupil Transportation	272,549	364,231	(248,798)	(296,420)
Central	137,854	252,735	(137,854)	(252,735)
Operation of Non-Instructional Services	931,979	1,421,373	469,755	(155,137)
Extracurricular Activities	101,886	312,086	(19,897)	(241,394)
Interest and Fiscal Charges	406,648	270,423	(406,648)	(270,423)
Total Expenses	<u>\$8,224,592</u>	<u>\$15,776,676</u>	<u>(\$2,991,260)</u>	<u>(\$10,796,052)</u>

Districts Major Funds

The District has two major governmental funds: the General Fund and the Classroom Facilities Fund. Assets of the general fund comprised \$20,741,347 (34%) of the total \$60,532,320 governmental funds' assets. Assets of the Classroom Facilities Fund comprised of \$31,883,607 (53%) of the total governmental fund assets.

General Fund: Fund balance at June 30, 2018 was \$16,625,214. The fund balance increased from 2017 compared to 2017. The overall fund balance increase is due to the District being able to control spending.

Classroom Facilities Fund: Fund balance at June 30, 2018 was \$11,393,018.

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.

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 reviews the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$15,322,114, compared to original budget estimates of \$14,319,685. Of the \$1,002,429 difference, most was due to underestimation of tax and intergovernmental revenues.

**St. Bernard-Elmwood Place City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

The District’s ending unobligated cash balance for the General Fund was \$15,266,013 which is \$1,569,708 above the original budgeted amount. Actual expenditures were less than the original budget mainly due to over estimation of instructional and support services expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$2,925,937 invested in land, buildings and improvements, construction in progress, and equipment. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

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

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$306,322	\$306,322
Constuction In Progress	1,456,981	240,288
Buildings and Improvements	556,829	715,044
Equipment	<u>605,805</u>	<u>809,438</u>
Total Net Capital Assets	<u><u>\$2,925,937</u></u>	<u><u>\$2,071,092</u></u>

The increase in capital assets is due to depreciation expense for the fiscal year being less than additions.

See Note 6 to the basic financial statements for further details on the District’s capital assets.

Debt

At June 30, 2018, the District had \$10,073,544 in debt outstanding, \$298,000 due within one year. Table 5 summarizes debt outstanding.

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St. Bernard-Elmwood Place City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table 5
Outstanding Debt, at Year End

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Bonds:		
2017 Classroom Facilities Bonds	\$8,440,000	\$8,650,000
Premium on 2017 Classroom Facilities Bonds	450,544	451,871
Capital Lease	<u>1,183,000</u>	<u>318,000</u>
Total Outstanding Debt at Year End	<u>\$10,073,544</u>	<u>\$9,419,871</u>

See Note 7 and 8 in the notes to the basic financial statements for further details on the District’s outstanding debt.

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” or “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations, or if the State of Ohio will comply with the decision.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

HB66 caused the district to lose over \$4,000,000 in local personal property tax revenue. During the fiscal years 2006 through 2010 the District was reimbursed for a portion of this lost revenue from the state based on the Districts fiscal year 2004 personal property tax collections. However, this reimbursement did not replace the anticipated tax revenues the District was expecting in fiscal years 2006 through 2010. For fiscal years 2011 through 2017 the reimbursement will be phased out completely. After fiscal year 2017, the District will only receive an increase in the foundation amount received from the state due to any decrease in valuation. The District will have further budget reductions up through 2018 as needed.

**St. Bernard-Elmwood Place City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

In June of 2013, the budget for 2014 and 2015 was passed (HB 59). District budget was increased by approximately \$250,000 per year. The District still receives \$2,724,638 payment for tangible personal property tax payments because of HB 66. The District was not required to repay any of this tangible personal property during this biennium.

In June of 2015, the budget for 2016 and 2017 was passed (HB 64). The gain cap was reduced to 7.5% which increased the budget as the district is consistently capped. The budget also introduced capacity aid which is aimed toward small, low income districts. St. Bernard-Elmwood Place benefits significantly from the new capacity funding. The new budget bill increases the district's funds in the short run. In the coming years the reduction of Tangible Personal Property Tax Reimbursement has a great impact on the district, specifically the taxpayers.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and 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 St. Bernard-Elmwood Place City School District, 105 Washington Avenue, St. Bernard, Ohio 45217.

St. Bernard-Elmwood Place City School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$34,129,076
Receivables (Net):	
Taxes	5,707,466
Accounts	44,074
Interest	32,088
Intergovernmental	20,562,559
Prepays	26,311
Inventory	14,297
Nondepreciable Capital Assets	1,763,303
Depreciable Capital Assets, Net	<u>1,162,634</u>
 Total Assets	 <u>63,441,808</u>
Deferred Outflows of Resources:	
Pension	4,613,910
OPEB	<u>161,139</u>
 Total Deferred Outflows of Resources	 <u>4,775,049</u>
Liabilities:	
Accounts Payable	143,749
Accrued Wages and Benefits	1,003,748
Accrued Interest Payable	28,742
Long-Term Liabilities:	
Due Within One Year	397,631
Due In More Than One Year:	
Net Pension Liability	15,378,130
Net OPEB Liability	3,310,787
Other Amounts	<u>10,833,669</u>
 Total Liabilities	 <u>31,096,456</u>
Deferred Inflows of Resources:	
Property Taxes	2,693,274
Grants and Other Taxes	14,873
OPEB	446,770
Pension	<u>1,124,977</u>
 Total Deferred Inflows of Resources	 <u>4,279,894</u>
Net Position:	
Net Investment in Capital Assets	2,628,171
Restricted for:	
Debt Service	316,671
Capital Projects	26,744,725
Other Grants	295,195
Capital Maintenance	122,129
District Managed Activities	4,210
State Grants	611
Federal Grants	77,325
Food Service	282,249
Other Purposes	122,348
Unrestricted	<u>2,246,873</u>
 Total Net Position	 <u>\$32,840,507</u>

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$3,072,803	\$1,418,825	\$933,708	(\$720,270)
Special	1,218,927	240,289	873,589	(105,049)
Other	51,848	3,155	58,935	10,242
Support Services:				
Pupil	502,603	0	26,621	(475,982)
Instructional Staff	225,869	0	132,452	(93,417)
General Administration	9,925	0	0	(9,925)
School Administration	238,061	0	508	(237,553)
Fiscal	201,427	0	37,776	(163,651)
Business	6,314	0	0	(6,314)
Operations and Maintenance	845,899	0	0	(845,899)
Pupil Transportation	272,549	0	23,751	(248,798)
Central	137,854	0	0	(137,854)
Operation of Non-Instructional Services	931,979	91,042	1,310,692	469,755
Extracurricular Activities	101,886	81,989	0	(19,897)
Interest and Fiscal Charges	406,648	0	0	(406,648)
Totals	\$8,224,592	\$1,835,300	\$3,398,032	(2,991,260)

General Revenues:

Property Taxes Levied for:

General Purposes	5,722,044
Special Revenue Purposes	52,275
Debt Service Purposes	479,929
Grants and Entitlements, Not Restricted	6,771,577
Revenue in Lieu of Taxes	11,983
Unrestricted Contributions	501,961
Investment Earnings	305,213
Other Revenues	25,657

Total General Revenues 13,870,639

Change in Net Position 10,879,379

Net Position - Beginning of Year, Restated, see note 20 21,961,128

Net Position - End of Year \$32,840,507

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$15,362,374	\$11,483,456	\$7,283,246	\$34,129,076
Receivables (Net):				
Taxes	5,231,120	0	476,346	5,707,466
Accounts	38,513	0	5,561	44,074
Interest	31,881	0	207	32,088
Intergovernmental	37,689	20,400,151	124,719	20,562,559
Interfund	16,449	0	0	16,449
Prepays	23,321	0	2,990	26,311
Inventory	0	0	14,297	14,297
Total Assets	20,741,347	31,883,607	7,907,366	60,532,320
Liabilities:				
Accounts Payable	12,456	90,438	40,855	143,749
Accrued Wages and Benefits	883,534	0	120,214	1,003,748
Compensated Absences	42,875	0	0	42,875
Interfund Payable	0	0	16,449	16,449
Total Liabilities	938,865	90,438	177,518	1,206,821
Deferred Inflows of Resources:				
Property Taxes	3,159,035	0	291,346	3,450,381
Grants and Other Taxes	14,873	20,400,151	83,622	20,498,646
Investment Earnings	3,360	0	0	3,360
Total Deferred Inflows of Resources	3,177,268	20,400,151	374,968	23,952,387
Fund Balances:				
Nonspendable	23,321	0	2,990	26,311
Restricted	0	11,393,018	5,859,647	17,252,665
Assigned	87,679	0	1,517,064	1,604,743
Unassigned (Deficit)	16,514,214	0	(24,821)	16,489,393
Total Fund Balances	16,625,214	11,393,018	7,354,880	35,373,112
Total Liabilities, Deferred Inflows and Fund Balances	\$20,741,347	\$31,883,607	\$7,907,366	\$60,532,320

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2018

Total Governmental Fund Balance		\$35,373,112
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		2,925,937
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	757,107	
Interest	3,360	
Intergovernmental	<u>20,483,773</u>	
		21,244,240
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.		
		(28,742)
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		(1,114,881)
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	4,613,910	
Deferred inflows of resources related to pensions	(1,124,977)	
Deferred outflows of resources related to OPEB	161,139	
Deferred inflows of resources related to OPEB	<u>(446,770)</u>	
		3,203,302
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(15,378,130)	
Net OPEB Liability	(3,310,787)	
Other Amounts	<u>(10,073,544)</u>	
		(28,762,461)
Net Position of Governmental Activities		<u>\$32,840,507</u>

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$5,508,806	\$0	\$512,823	\$6,021,629
Tuition and Fees	1,668,294	0	0	1,668,294
Investment Earnings	148,205	105,862	47,786	301,853
Intergovernmental	8,054,016	5,178,843	2,077,115	15,309,974
Extracurricular Activities	32,278	0	40,531	72,809
Charges for Services	0	0	91,042	91,042
Revenue in Lieu of Taxes	6,718	0	5,265	11,983
Other Revenues	21,763	0	509,009	530,772
Total Revenues	15,440,080	5,284,705	3,283,571	24,008,356
Expenditures:				
Current:				
Instruction:				
Regular	5,844,303	0	279,186	6,123,489
Special	1,837,850	0	242,623	2,080,473
Other	163,475	0	60,758	224,233
Support Services:				
Pupil	867,243	0	9,394	876,637
Instructional Staff	176,135	0	127,588	303,723
General Administration	17,615	0	0	17,615
School Administration	1,029,281	0	530	1,029,811
Fiscal	431,538	0	10,398	441,936
Business	6,314	0	0	6,314
Operations and Maintenance	1,050,030	0	0	1,050,030
Pupil Transportation	378,911	0	0	378,911
Central	243,679	0	0	243,679
Operation of Non-Instructional Services	0	0	1,175,878	1,175,878
Extracurricular Activities	237,252	0	93,265	330,517
Capital Outlay	3,500	1,093,494	123,199	1,220,193
Debt Service:				
Principal Retirement	0	0	365,000	365,000
Interest and Fiscal Charges	24,500	0	388,350	412,850
Total Expenditures	12,311,626	1,093,494	2,876,169	16,281,289
Excess of Revenues Over (Under) Expenditures	3,128,454	4,191,211	407,402	7,727,067
Other Financing Sources (Uses):				
Proceeds of Capital Leases	0	0	1,020,000	1,020,000
Transfers In	0	0	592,500	592,500
Transfers (Out)	(592,500)	0	0	(592,500)
Total Other Financing Sources (Uses)	(592,500)	0	1,612,500	1,020,000
Net Change in Fund Balance	2,535,954	4,191,211	2,019,902	8,747,067
Fund Balance - Beginning of Year	14,089,260	7,201,807	5,334,978	26,626,045
Fund Balance - End of Year	\$16,625,214	\$11,393,018	\$7,354,880	\$35,373,112

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Funds		\$8,747,067
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.</p>		
Capital assets used in governmental activities	1,226,318	
Depreciation Expense	<u>(371,473)</u>	854,845
<p>Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions are reported as pension and OPEB expense.</p>		
District pension contributions	1,047,417	
Cost of benefits earned net of employee contributions - Pension	5,239,567	
District OPEB contributions	30,560	
Cost of benefits earned net of employee contributions - OPEB	<u>590,611</u>	6,908,155
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Delinquent Property Taxes	232,619	
Interest	3,360	
Intergovernmental	<u>(5,140,364)</u>	(4,904,385)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		365,000
<p>In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.</p>		
		4,875
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences	(77,505)	
Amortization of Bond Premium	<u>1,327</u>	(76,178)
<p>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.</p>		
		<u>(1,020,000)</u>
Change in Net Position of Governmental Activities		<u>\$10,879,379</u>

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$214,429	\$25,791
Total Assets	<u>214,429</u>	<u>25,791</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>25,791</u>
Total Liabilities	<u>0</u>	<u>\$25,791</u>
Net Position:		
Held in Trust	<u>214,429</u>	
Total Net Position	<u>\$214,429</u>	

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions:	
Donations	<u>\$17,070</u>
Total Additions	<u>17,070</u>
Deductions:	
Scholarships	<u>4,422</u>
Total Deductions	<u>4,422</u>
Change in Net Position	12,648
Net Position - Beginning of Year	<u>201,781</u>
Net Position - End of Year	<u><u>\$214,429</u></u>

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 – Description of the District

The St. Bernard-Elmwood Place City School District (the District) was chartered by the Ohio State Legislature in 1968. Prior to 1968, Elmwood Place and St. Bernard were separate school districts. 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.

The District is the fifth smallest in Hamilton County in terms of enrollment. It currently operates two elementary schools (grades preschool-6 and grades K-6), and one junior/senior high school (grades 7-12).

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement 61, the reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

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

The District is associated with two jointly governed organizations and one insurance purchasing pool. These organizations are:

Jointly Governed Organizations:

Hamilton Clermont Cooperative Information Technology Center
Great Oaks Career Campuses

Insurance Purchasing Pool:

Ohio Association of School Business Officials Workers' Compensation GRP

These organizations are presented in Note 12 and 13 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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.

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Measurement Focus

Government-wide Financial Statements

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 government-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.

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

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.

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:

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

Classroom Facilities Fund – The classroom facilities fund accounts for monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipping of classroom facilities.

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's has a Student Activity Agency fund which accounts for assets and liabilities generated by student managed activities. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

Basis of Accounting

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

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.

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 includes pension and other post employment benefits. These amounts are reported on the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 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, pension, OPEB, and grants and other taxes. 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. Grants and other taxes have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows related to pension and OPEB plans are reported on the governmental-wide statement of net position. For more pension and OPEB related information, see Notes 9 and 10.

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.

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

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2018 amounted to \$148,205 for the General Fund, \$105,862 for the Classroom Facilities Fund, and \$47,786 for Other Governmental Funds.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale.

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, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. 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. 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

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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.

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 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 liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	1.75-2.25 days per month	10-21 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	Per contract	Per contract
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
How Earned	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)

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
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Maximum Accumulation	260 days	Number of days in contract -- 275	Number of days in contract -- 215-260
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

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 \$27,965,463 in restricted net position, \$0 was 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 and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

St. Bernard-Elmwood Place City School District
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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. Formal action by the Board of Education is needed to commit or rescind resources.

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 expenditures 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

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements 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.

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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:

- (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 (STAR Ohio).
- (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.

St. Bernard-Elmwood Place City School District
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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, \$4,988,395 of the District's bank balance of \$5,488,395 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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Negotiable CDs	\$5,541,665	Level 2	0.55
Commercial Paper	4,693,258	Level 2	0.28
STAR Ohio	18,678,550	N/A	0.13
Money Market Funds	2,096	N/A	0.00
Total Fair Value	<u>\$28,915,569</u>		
Portfolio Weighted Average Maturity			0.24

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2018. STAR Ohio is reported at its share price (Net Asset value per share.)

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 five 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. Investments in Commercial Paper were rated A-1+ by Standard & Poor's and P-1

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organizations. Investments in Commercial Paper were rated A-1+ by Standard & Poor's and P-1 by Moody's Investors Service. Investments in STAR Ohio were rated AAAm by Standard & Poor's. Negotiable CDs and Money Market Funds were not rated.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested only in Negotiable CDs.

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.

Note 4 – Property Taxes

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 and public utility 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 real property at 35 percent of true value.

Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Real property taxes are payable annually or semi-annually. 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. The District receives 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 represent delinquent taxes outstanding and real property and public utility taxes which became measurable at June 30, 2018. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2018. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflows for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2018, was \$2,020,000 for General Fund, and is recognized as revenue.

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

St. Bernard-Elmwood Place City School District
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The assessed values upon which the fiscal year 2018 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$89,189,230
Public Utility Personal	<u>10,879,610</u>
Total	<u><u>\$100,068,840</u></u>

Note 5 – Receivables

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$306,322	\$0	\$0	\$306,322
Construction in Progress	<u>240,288</u>	<u>1,216,693</u>	<u>0</u>	<u>1,456,981</u>
Total Capital Assets, not being depreciated	546,610	1,216,693	0	1,763,303
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	8,305,792	0	0	8,305,792
Equipment	<u>2,234,368</u>	<u>9,625</u>	<u>0</u>	<u>2,243,993</u>
<i>Total Capital Assets, being depreciated:</i>	<u>10,540,160</u>	<u>9,625</u>	<u>0</u>	<u>10,549,785</u>
Totals at Historical Cost	<u><u>11,086,770</u></u>	<u><u>1,226,318</u></u>	<u><u>0</u></u>	<u><u>12,313,088</u></u>
Less Accumulated Depreciation:				
Buildings and Improvements	7,590,748	158,215	0	7,748,963
Equipment	<u>1,424,930</u>	<u>213,258</u>	<u>0</u>	<u>1,638,188</u>
Total Accumulated Depreciation	<u>9,015,678</u>	<u>371,473</u>	<u>0</u>	<u>9,387,151</u>
Governmental Activities Capital Assets, Net	<u><u>\$2,071,092</u></u>	<u><u>\$854,845</u></u>	<u><u>\$0</u></u>	<u><u>\$2,925,937</u></u>

St. Bernard-Elmwood Place City School District
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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$96,440
Support Services:		
Instructional Staff		3,616
School Administration		894
Fiscal		4,909
Operations and Maintenance		173,596
Pupil Transportation		38,033
Central		8,117
Operation of Non-Instructional Services		45,868
Total Depreciation Expense		<u>\$371,473</u>

Note 7 – Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
Governmental Activities:					
<u>Bonds</u>					
2017 Classroom Facilities Bonds	\$8,650,000	\$0	\$210,000	\$8,440,000	\$95,000
Premium on 2017 Classroom Facilities Bonds	451,871	0	1,327	450,544	0
Subtotal Bonds	9,101,871	0	211,327	8,890,544	95,000
<u>Capital Lease</u>					
OASBO Pool Lease	318,000	0	155,000	163,000	163,000
Lease Purchase, Series 2018	0	1,020,000	0	1,020,000	40,000
Compensated Absences	1,113,816	178,860	134,920	1,157,756	99,631
Subtotal Bonds & Other Amounts	10,533,687	1,198,860	501,247	11,231,300	397,631
<u>Net Pension Liability:</u>					
STRS	17,725,547	0	5,090,163	12,635,384	0
SERS	3,600,840	0	858,094	2,742,746	0
Subtotal Net Pension Liability	21,326,387	0	5,948,257	15,378,130	0
<u>Net OPEB Liability:</u>					
STRS	2,832,033	0	756,758	2,075,275	0
SERS	1,408,120	0	172,608	1,235,512	0
Subtotal Net OPEB Liability	4,240,153	0	929,366	3,310,787	0
Total Long-Term Obligations	<u>\$36,100,227</u>	<u>\$1,198,860</u>	<u>\$7,378,870</u>	<u>\$29,920,217</u>	<u>\$397,631</u>

Bond payments and the capital lease will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. There is no repayment schedule for the net pension

St. Bernard-Elmwood Place City School District
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For the Fiscal Year Ended June 30, 2018

liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

Classroom Facilities Bonds - On May 3, 2017 the District issued \$8,650,000 in classroom facilities bonds for the purpose of constructing a new school building. The bonds were issued for a thirty-seven year period with a final maturity of December 1, 2053. The bonds will be retired from the Debt Service Fund.

Principal and interest requirements for governmental activities to retire bonds outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		Total
	Principal	Interest	
2019	\$95,000	\$343,950	\$438,950
2020	100,000	342,000	442,000
2021	100,000	340,000	440,000
2022	100,000	337,000	437,000
2023	105,000	332,900	437,900
2024-2028	605,000	1,595,900	2,200,900
2029-2033	785,000	1,457,500	2,242,500
2034-2038	1,015,000	1,262,700	2,277,700
2039-2043	1,325,000	985,100	2,310,100
2044-2048	1,665,000	681,300	2,346,300
2049-2053	2,075,000	308,700	2,383,700
2054	470,000	9,400	479,400
Total	<u>\$8,440,000</u>	<u>\$7,996,450</u>	<u>\$16,436,450</u>

Note 8 – Capital Leases – Lessee Disclosure

In prior years, capital lease proceeds that were recorded in the Permanent Improvement Fund relate to the installation of an HVAC system in the District. The District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned National City Bank as trustee. The lease is renewable annually and expires in 2019. The intention of the District is to renew the lease annually.

Lease purchase, series 2018 – On June 22, 2018 the District issued \$1,020,000 in lease purchase financing for the purpose of constructing a new swimming pool. The lease was issued for a ten year period with a final maturity of December 1, 2027. The lease will be retired from the Debt Service Fund.

The District made \$155,000 in principal payments for fiscal year 2018. The principal amount owed on the leases at year end is \$1,183,000.

The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 4.73% plus an annual administrative fee. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2018.

St. Bernard-Elmwood Place City School District
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Fiscal Year Ending June 30	Long-Term Debt
2019	\$239,634
2020	125,306
2021	127,137
2022	123,887
2023	125,556
2024-2028	<u>628,425</u>
Total Minimum Lease Payments	\$1,369,945
Less: Amount Representing Interest (4.73%)	(186,645)
Less: Additional Program Cost Component	<u>(300)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,183,000</u></u>

Capital assets acquired under capital leases are as follows:

Equipment	\$2,780,000
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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.

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

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

St. Bernard-Elmwood Place City School District
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For the Fiscal Year Ended June 30, 2018

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 \$211,939 for fiscal year 2018. Of this amount \$57,242 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded 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

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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 \$835,478 for fiscal year 2018. Of this amount \$133,616 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,742,746	\$12,635,384	\$15,378,130
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04590540%	0.05318994%	
Prior Measurement Date	<u>0.04919800%</u>	<u>0.05295474%</u>	
Change in Proportionate Share	-0.00329260%	0.00023520%	
Pension Expense	(\$219,375)	(\$5,020,192)	(\$5,239,567)

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$118,038	\$487,920	\$605,958
Changes of assumptions	141,829	2,763,497	2,905,326
Changes in employer proportionate share of net pension liability	0	55,209	55,209
Contributions subsequent to the measurement date	211,939	835,478	1,047,417
Total Deferred Outflows of Resources	<u>\$471,806</u>	<u>\$4,142,104</u>	<u>\$4,613,910</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$101,836	\$101,836
Net difference between projected and actual earnings on pension plan investments	13,019	416,983	430,002
Changes in employer proportionate share of net pension liability	218,112	375,027	593,139
Total Deferred Inflows of Resources	<u>\$231,131</u>	<u>\$893,846</u>	<u>\$1,124,977</u>

\$1,047,417 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	(\$480)	\$427,941	\$427,461
2020	92,693	929,239	1,021,932
2021	462	834,866	835,328
2022	(63,939)	220,734	156,795
Total	<u>\$28,736</u>	<u>\$2,412,780</u>	<u>\$2,441,516</u>

Actuarial Assumptions - SERS

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

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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, 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:

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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	\$3,806,219	\$2,742,746	\$1,851,871

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.

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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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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	\$18,112,393	\$12,635,384	\$8,021,825

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

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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

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 benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was \$22,710.

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 \$30,560 for fiscal year 2018. Of this amount \$22,710 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 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

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health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,235,512	\$2,075,275	\$3,310,787
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.04603700%	0.05318994%	
Prior Measurement Date	0.04940130%	0.05295474%	
Change in Proportionate Share	<u>-0.00336430%</u>	<u>0.00023520%</u>	
OPEB Expense	\$40,854	(\$631,465)	(\$590,611)

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	\$119,798	\$119,798
Net difference between projected and actual earnings on pension plan investments	0	10,781	10,781
Contributions subsequent to the measurement date	<u>30,560</u>	<u>0</u>	<u>30,560</u>
Total Deferred Outflows of Resources	<u>\$30,560</u>	<u>\$130,579</u>	<u>\$161,139</u>
Changes of assumptions	\$117,244	\$167,170	\$284,414
Net difference between projected and actual earnings on pension plan investments	3,263	88,702	91,965
Changes in employer proportionate share of net pension liability	<u>70,391</u>	<u>0</u>	<u>70,391</u>
Total Deferred Inflows of Resources	<u>\$190,898</u>	<u>\$255,872</u>	<u>\$446,770</u>

\$30,560 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:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2019	(\$68,799)	(\$28,274)	(\$97,073)
2020	(68,799)	(28,274)	(97,073)
2021	(52,483)	(22,883)	(75,366)
2022	(817)	(30,071)	(30,888)
2023	0	(7,896)	(7,896)
Thereafter	0	(7,895)	(7,895)
Total	<u>(\$190,898)</u>	<u>(\$125,293)</u>	<u>(\$316,191)</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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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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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	\$1,492,038	\$1,235,512	\$1,082,278

St. Bernard-Elmwood Place City School District
Notes to 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	\$1,002,526	\$1,235,512	\$1,543,874

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.

St. Bernard-Elmwood Place City School District
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For the Fiscal Year Ended June 30, 2018

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

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

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

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

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

Discount Rate

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

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

Sensitivity of the 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	\$2,786,024	\$2,075,275	\$1,513,552
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$1,441,812	\$2,075,275	\$2,908,987

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

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Note 11 – Contingent Liabilities

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 School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2018.

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

The Hamilton Clermont Cooperative Information Technology Center (HCC) is a jointly governed organization. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. Each of the governments of these schools supports HCC and shares in a percentage of the equity based on the resources provided. HCC is governed by a board of directors consisting of the superintendents or designees of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained by writing to HCC Information Technology Center, the Executive Director, 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

Great Oaks Career Campuses (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio which operates under the direction of a board consisting of a

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

representative from each participating school district’s elected board. That board possesses its own budgeting and taxing authority. Great Oaks provides academic preparation and job training which lead to employment and/or further education upon graduation from high school. The District has no ongoing financial interest in or responsibility for the Vocational School. To obtain financial information write to the Great Oaks Career Campuses, 3254 East Kemper Road, Cincinnati, Ohio 45241-1581.

Note 13 – OASBO Group Rating Program

The District participates in the Ohio Association of School Business Officials Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio Association of School Business Officials (OASBO). The Executive Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

Note 14 – Risk Management

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. The District carries insurance coverage with the following companies:

<u>Coverage</u>	<u>Company</u>
Automobile	Argonaut Insurance Company
Property	Argonaut Insurance Company
General Liability	Argonaut Insurance Company

Limits and deductible amounts for the above policies vary accordingly.

<u>Coverage</u>	<u>Limits</u>	<u>Deductibles</u>
Automobile	\$2,000,000 each occurrence	\$500 collision
Property	Covered for value of loss	\$1,000 each loss
General Liability	\$2,000,000 each occurrence	\$4,000,000 general aggregate

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The District pays the State of Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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 years.

The District participates in the Greater Cincinnati Insurance Consortium, an insurance purchasing pool. The District can obtain better coverage and/or lower premiums by purchasing health, dental, and life insurance benefits through the pool. Greater Cincinnati Insurance Consortium (GCIC) Self-Insurance Program is comprised of other area school districts. Each member pays an administrative fee to the pool. Each school district has a representative on the assembly (usually the superintendent or designee).

Note 15 – Accountability

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

<u>Funds</u>	<u>Deficit</u>
Other Governmental Funds	
Poverty Aid	15,449
Special Education	8,115

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 – Set-Asides

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.

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2017	\$0
Current Year Set Aside Requirements	175,459
Qualified Disbursements	(684,574)
Current Year Offsets	0 *
Set Aside Reserve Balance as of June 30, 2018	<u><u>(\$509,115)</u></u>

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

* - is a carryforward from prior years that can be used as the eligible amount to be used as a current year offsets. \$41,083 was used as the eligible offset for fiscal year 2005, \$6,984 for fiscal year 2006, \$37,071 for fiscal year 2007, \$8,494 for fiscal year 2008, \$0 for fiscal year 2009, \$0 for fiscal year 2010, \$0 for fiscal year 2011, \$22,597 for fiscal year 2012, \$7,498 for fiscal year 2013, \$10,419 for fiscal year 2014, \$25,455 for fiscal year 2015, \$0 for 2016, \$0 for 2017, and \$0 for 2018. \$1,648,399 will be the offset carryforward for FY18.

Qualifying disbursements for capital maintenance reserve during the year were \$684,574.

Note 17 – Interfund Transactions

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

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$16,449	\$0	\$0	\$592,500
Classroom Facilities	0	0	0	0
Other Governmental Funds	0	16,449	592,500	0
Total All Funds	\$16,449	\$16,449	\$592,500	\$592,500

Interfund balances/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 budgetary 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

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

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St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Fund Balances	General	Classroom Facilities	Other Governmental Funds	Total
Nonspendable:				
Prepays	\$23,321	\$0	\$2,990	\$26,311
Total Nonspendable	23,321	0	2,990	26,311
Restricted for:				
Other Grants	0	0	295,071	295,071
Classroom Facilities	0	11,393,018	0	11,393,018
Student Activities	0	0	4,210	4,210
Debt Service	0	0	285,546	285,546
Data Communication	0	0	611	611
Auxiliary Services	0	0	121,848	121,848
Food Service	0	0	307,923	307,923
Title III	0	0	1,414	1,414
Building	0	0	4,727,334	4,727,334
Classroom Maintenance	0	0	115,690	115,690
Total Restricted	0	11,393,018	5,859,647	17,252,665
Assigned to:				
Encumbrances	49,625	0	0	49,625
Debt Service	0	0	64,882	64,882
Permanent Improvement	0	0	1,452,182	1,452,182
Public Schools	38,054	0	0	38,054
Total Assigned	87,679	0	1,517,064	1,604,743
Unassigned (Deficit)	16,514,214	0	(24,821)	16,489,393
Total Fund Balance	\$16,625,214	\$11,393,018	\$7,354,880	\$35,373,112

Note 19 – Tax Abatements Entered Into by Other Governments

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the Village of St. Bernard has entered into such an agreement. Under this agreement the District’s property taxes were reduced by approximately \$55,357. The District is not receiving any amounts from this other government in association with the forgone property tax revenue.

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

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

GASB 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

St. Bernard-Elmwood Place City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

Net position June 30, 2017	\$26,178,717
Adjustments:	
Net OPEB Liability	(4,240,153)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>22,564</u>
Restated Net Position June 30, 2017	<u><u>\$21,961,128</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

St. Bernard-Elmwood Place 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	0.05318994%	0.05295474%	0.05411712%	0.05566668%	0.05566668%
District's Proportionate Share of the Net Pension Liability	\$12,635,384	\$17,725,547	\$14,956,389	\$13,540,063	\$16,085,400
District's Covered Payroll	\$5,888,764	\$5,633,793	\$5,846,693	\$6,125,108	\$6,381,654
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	214.57%	314.63%	255.81%	221.06%	252.06%
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.

St. Bernard-Elmwood Place 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	0.04590540%	0.04919800%	0.05028790%	0.05283900%	0.05283900%
District's Proportionate Share of the Net Pension Liability	\$2,742,746	\$3,600,840	\$2,869,476	\$2,674,152	\$3,143,109
District's Covered Payroll	\$1,461,207	\$1,823,021	\$1,837,405	\$1,550,916	\$1,616,575
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	187.70%	197.52%	156.17%	172.42%	194.43%
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.

St. Bernard-Elmwood Place City School District
 Required Supplementary Information
 Schedule of District Contributions
 for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$835,478	\$824,427	\$788,731	\$818,537	\$796,264	\$829,615	\$850,120	\$1,313,086	\$1,272,141	\$1,288,353
Contributions in Relation to the Contractually Required Contribution	(835,478)	(824,427)	(788,731)	(818,537)	(796,264)	(829,615)	(850,120)	(1,313,086)	(1,272,141)	(1,288,353)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered Payroll	\$5,967,700	\$5,888,764	\$5,633,793	\$5,846,693	\$6,125,108	\$6,381,654	\$6,539,385	\$10,100,662	\$9,785,700	\$9,910,408
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

St. Bernard-Elmwood Place City School District
 Required Supplementary Information
 Schedule of District Contributions
 for Net Pension Liability
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$211,939	\$204,569	\$255,223	\$242,170	\$214,957	\$223,734	\$209,891	\$330,369	\$320,163	\$336,574
Contributions in Relation to the Contractually Required Contribution	(211,939)	(204,569)	(255,223)	(242,170)	(214,957)	(223,734)	(209,891)	(330,369)	(320,163)	(336,574)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered Payroll	\$1,569,919	\$1,461,207	\$1,823,021	\$1,837,405	\$1,550,916	\$1,616,575	\$1,560,528	\$2,628,234	\$2,364,572	\$3,420,467
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information.

St. Bernard-Elmwood Place 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	0.05318994%	0.05295474%
District's Proportionate Share of the Net OPEB Liability	\$2,075,275	\$2,832,033
District's Covered Payroll	\$5,888,764	\$5,633,793
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.24%	50.27%
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.

St. Bernard-Elmwood Place 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	0.04603700%	0.04940130%
District's Proportionate Share of the Net OPEB Liability	\$1,235,512	\$1,408,120
District's Covered Payroll	\$1,461,207	\$1,823,021
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.55%	77.24%
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.

St. Bernard-Elmwood Place 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)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
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	\$5,967,700	\$5,888,764	\$5,633,793
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.

St. Bernard-Elmwood Place City School District
 Required Supplementary Information
 Schedule of District Contributions to
 Postemployment Benefits Other Than Pension (OPEB)
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB (2)	\$30,560	\$22,564	\$23,043
Contributions to OPEB in Relation to the Contractually Required Contribution	(30,560)	(22,564)	(23,043)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered Payroll	\$1,569,919	\$1,461,207	\$1,823,021
Contributions to OPEB as a Percentage of Covered Payroll	1.95%	1.54%	1.26%

(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.

St. Bernard-Elmwood Place City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis) General Fund
 for the Fiscal Year Ended June 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$5,046,342	\$5,399,604	\$5,402,221	\$2,617
Tuition and Fees	1,558,136	1,667,211	1,668,019	808
Investment Earnings	137,560	147,190	147,261	71
Intergovernmental	7,513,628	8,039,609	8,043,505	3,896
Extracurricular Activities	21,447	22,948	22,959	11
Other Revenues	42,572	45,552	45,574	22
Total Revenues	14,319,685	15,322,114	15,329,539	7,425
Expenditures:				
Current:				
Instruction:				
Regular	6,147,491	5,896,193	5,893,765	2,428
Special	1,913,634	1,835,408	1,834,652	756
Other	170,513	163,542	163,475	67
Support Services:				
Pupil	892,464	855,981	855,629	352
Instructional Staff	176,379	169,169	169,099	70
General Administration	18,411	17,658	17,651	7
School Administration	1,087,804	1,043,337	1,042,907	430
Fiscal	452,232	433,746	433,567	179
Business	8,136	7,803	7,800	3
Operations and Maintenance	1,143,984	1,097,220	1,096,768	452
Pupil Transportation	399,780	383,438	383,280	158
Central	255,157	244,727	244,626	101
Extracurricular Activities	247,365	237,253	237,155	98
Capital Outlay	3,651	3,501	3,500	1
Debt Service:				
Interest and Fiscal Charges	26,076	25,010	25,000	10
Total Expenditures	12,943,077	12,413,986	12,408,874	5,112
Excess of Revenues Over (Under) Expenditures	1,376,608	2,908,128	2,920,665	12,537
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	1,267	1,355	1,356	1
Advances In	175	187	187	0
Advances (Out)	(1,043)	(1,000)	(1,000)	0
Transfers (Out)	(618,007)	(592,744)	(592,500)	244
Total Other Financing Sources (Uses)	(617,608)	(592,202)	(591,957)	245
Net Change in Fund Balance	759,000	2,315,926	2,328,708	12,782
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	12,937,305	12,937,305	12,937,305	0
Fund Balance - End of Year	\$13,696,305	\$15,253,231	\$15,266,013	\$12,782

See accompanying notes to the required supplementary information.

St. Bernard-Elmwood Place City School District
Notes to the Required Supplementary Information
For The Year Ended June 30, 2018

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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 the 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

St. Bernard-Elmwood Place City School District
Notes to the Required Supplementary Information
For The Year Ended June 30, 2018

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

	General
GAAP Basis	\$2,535,954
Revenue Accruals	(110,541)
Expenditure Accruals	(42,055)
Proceeds of Capital Assets	1,356
Advances In	187
Advances (Out)	(1,000)
Encumbrances	(55,193)
Budget Basis	\$2,328,708

Note 2 - SERS Change in Assumptions-Net Pension Liability

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

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

Changes in Assumptions

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

Changes in Benefit Terms

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

Note 4 - SERS Change in Assumptions-Net OPEB Liability

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

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

St. Bernard-Elmwood Place City School District
Notes to the Required Supplementary Information
For The Year Ended June 30, 2018

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Note 5 - STRS Change in Assumptions-Net OPEB Liability

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

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

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**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT
HAMILTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through The Ohio Department of Education:</i>			
Child Nutrition Cluster:			
National School Breakfast Program	N/A	10.553	\$ 67,991
National School Lunch Program	N/A	10.555	<u>307,361</u>
Cash Assistance			375,352
Non-Cash Assistance (Food Distribution)	N/A	10.555	<u>27,240</u>
Total Child Nutrition Cluster			<u>402,592</u>
Total U.S. Department of Agriculture			<u>402,592</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through The Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	2018	84.010	360,743
Title I Grants to Local Educational Agencies	2017	84.010	<u>35,307</u>
Total Title I Grants to Local Educational Agencies			<u>396,050</u>
Special Education Cluster (IDEA):			
Special Education Grants to States	2018	84.027	299,955
Special Education Grants to States	2017	84.027	<u>23,822</u>
Total Special Education Grants to States			<u>323,777</u>
Special Education Preschool Grant	2018	84.173	<u>4,434</u>
Total Special Education Preschool Grant			<u>4,434</u>
Total Special Education Cluster (IDEA):			<u>328,211</u>
English Language Acquisition State Grants			
English Language Acquisition State Grants	2018	84.365	12,419
English Language Acquisition State Grants	2017	84.365	<u>530</u>
Total English Language Acquisition State Grants			<u>12,949</u>
Title II-A Improving Teacher Quality State Grants			
Title II-A Improving Teacher Quality State Grants	2018	84.367	12,715
Title II-A Improving Teacher Quality State Grants	2017	84.367	<u>47,827</u>
Total Title II-A Improving Teacher Quality State Grants			<u>60,542</u>
Student Support and Academic Enrichment			
Student Support and Academic Enrichment	2018	84.424	<u>4,995</u>
Total Student Support and Academic Enrichment			<u>4,995</u>
Total – U.S. Department of Education			<u>802,747</u>
Total Federal Financial Assistance			<u>\$ 1,205,339</u>

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Note A – Basis of Presentation

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

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C – Child Nutrition Cluster

The District comingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

Note D – Food Donation

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



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

December 19, 2018

St. Bernard-Elmwood Place City School District
Hamilton County
105 Washington Avenue
St. Bernard, Ohio 45217

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 **St. Bernard-Elmwood Place 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 19, 2018, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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



Perry and Associates
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

December 19, 2018

St. Bernard-Elmwood Place City School District
Hamilton County
105 Washington Avenue
St. Bernard, Ohio 45217

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited **St. Bernard-Elmwood Place City School District's** (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect St. Bernard-Elmwood Place City School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on the Major Federal Program

In our opinion, St. Bernard-Elmwood Place City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster, CFDA #10.553 and #10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



ST. BERNARD – ELMWOOD PLACE 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
MARCH 12, 2019**