TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

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 Tipp City Exempted Village School District, Miami County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

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, the 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 February 28, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2019

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Our discussion and analysis of Tipp City Exempted Village School District's, (the District), financial performance provides an overview 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at fiscal year-end, resulting in a deficit net position of $5,437,231. This deficit resulted from the District recognizing its proportionate share of the net pension and OPEB liabilities reported by the state retirement systems.
- The District's net position increased by $15,497,970 or approximately 74%. The majority of this increase can be attributed to the decreases in the expenses reported for the net pension and OPEB plans compared with those reported for the prior year. For the current fiscal year, the District reported $10.4 million of negative pension and OPEB expense compared with the positive $2.9 million in fiscal year 2017.
- As of the close of the current fiscal year, the combined governmental fund balances of the District were $18,909,737; including the $14,111,312 reported in the general fund.
- At the end of the current fiscal year, the unassigned fund balance for the general fund, the District's operating fund, was $13,040,015 or 54% of total general fund expenditures.
- The District's debt obligations increased by $3,380,883 during the year.

Using the Basic Financial Statements

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

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities
One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting prescribed for governmental entities. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position providing the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements
The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's two different types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

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 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 less financial resources available to spend in the near future to finance the District's 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 basic financial statements.

Fiduciary Funds
The District is the trustee, or fiduciary, for its various student managed activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole
The statement of net position provides the perspective of the District as a whole. A comparative analysis of fiscal year 2018 to 2017 follows:

TABLE 1
NET POSITION JUNE 30

	2018	Restated 2017
Assets:		
Current and Other Assets	$ 36,252,944	31,002,658
Capital Assets	22,186,924	20,303,598
Total Assets	58,439,868	51,306,256
Deferred Outflows of Resources:		
Deferred Charge on Refunding	237,046	317,055
Pension and OPEB	9,054,897	7,265,373
Total Deferred Outflows of Resources	9,291,943	7,582,428

(continued)

TABLE 1
NET POSITION JUNE 30

	2018	Restated 2017
Liabilities:		
Current Liabilities	2,513,142	2,459,545
Long-Term Liabilities:		
Due Within One Year	1,605,869	1,529,117
Due in More than One Year:		
Net Pension Liability	29,006,951	39,852,909
Net OPEB Liability	6,345,325	7,943,273
Other Amounts Due in More than One Year	17,103,518	13,465,537
Total Liabilities	56,574,805	65,250,381
Deferred Inflows of Resources:		
Property Taxes	14,720,460	14,428,042
Pension and OPEB	1,873,777	145,462
Total Deferred Inflows of Resources	16,594,237	14,573,504
Net Position:		
Net Investment in Capital Assets	9,794,433	8,097,633
Restricted	1,691,975	2,172,153
Unrestricted	(16,923,639)	(31,204,987)
Total Net Position	$ (5,437,231)	(20,935,201)

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB 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 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 required 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 systems. 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 pension system is responsible for the administration of the plan.

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 the 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 the net deficit at June 30, 2017, from $13.0 million to $20.9 million.

The amount by which the District's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources is called net position. As of June 30, 2018 the District's total net position was a $5.4 million deficit. Of that amount, approximately $9.8 million was the net investment in capital assets. Another $1.7 million was subject to external restriction upon its use. The remainder is reported as unrestricted and is available for future use as directed by the Board of Education and the District's Administration. The decrease in the reported unrestricted deficit for the year resulted from the significant decrease in the net pension and OPEB liabilities reported at June 30, 2018 compared with those one year prior. If the three reported amounts related to the net pension and OPEB liabilities calculations are excluded, the unrestricted net position reported by the District would be a positive $22.7 million instead of the $5.4 million deficit currently reported. As the operation of the state-wide pension systems are outside the control of the District and can vary significantly from year to year based on performance of investments; it is important to know how significant the recognition of the net pension and OPEB liabilities have on the District's reported net position.

Total assets of governmental activities increased by $7.1 million (13.9%) from the amount reported one year prior. Pooled cash and cash equivalents reported at June 30, 2018 increased by $1.8 million (12.4%) from the total reported in the prior year as the budget surplus for the year increased due to additional intergovernmental foundation, interest, and miscellaneous revenues received during the year. Cash in segregated accounts represents the remaining cash escrowed for renovation and improvement projects on District facilities from the lease purchase agreement the District entered into during the fiscal year. At year end, capital assets represented 38.0% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, and machinery and equipment. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For fiscal year 2018, the District's net capital assets increased by $1.9 million as current year additions to capital assets (primarily construction in progress) exceeded depreciation expense for the year. Other long-term liabilities due in more than one year increased due to the inception of the $4.8 million lease-purchase agreement being greater than the scheduled debt service payments on District debt for the year.

A comparative analysis of the change in net position for fiscal year 2018 and 2017 follows:

TABLE 2
CHANGE IN NET POSITION, JUNE 30

		2018	2017
Revenues:			
Program Revenues:			
Charges for Services	$	2,000,639	2,266,558
Operating Grants and Contributions		1,299,841	1,349,743
General Revenues:			
Property Taxes		16,448,324	16,456,429
Grants and Entitlements		10,231,712	10,145,010
Other		688,731	209,899
Total Revenues		30,669,247	30,427,639
Expenses:			
Instruction		6,509,809	16,492,044
Support Services:			
Pupils and Instructional Staff		1,151,529	1,830,741
Board of Education, Administration Fiscal and Business		2,188,673	3,028,752
Operation and Maintenance of Plant		1,886,711	2,027,569
Pupil Transportation		939,222	1,027,637
Central		397,745	299,564
Operation of Non-Instructional Services		715,829	786,717
Extracurricular Activities		1,027,183	1,123,744
Interest and Fiscal Charges		354,576	385,326
Total Expenses		15,171,277	27,002,094
Change in Net Position		15,497,970	3,425,545
Beginning Net Position, Restated		(20,935,201)	N/A
Ending Net Position	$	(5,437,231)	(20,935,201)

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 equal to the contractually required contributions to the plans (GASB 27), which was $50,045. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of approximately $1.0 million. Consequently, in order to compare 2018 total program expense to 2017, the following adjustments are needed.

Total FY2018 program expenses under GASB 75	$	15,171,277
Negative OPEB expense under GASB 75		1,040,750
FY2018 contractually required contributions		70,946
Adjusted FY2018 program expenses		16,282,973
Total FY2017 program expenses under GASB 45		27,002,094
Decrease in program expenses not related to OPEB	$	(10,719,121)

The table above indicates the total decrease in expense for the current fiscal year not related to the implementation of GASB Statement 75 was $10.7 million. The remaining decrease in expenses reported for fiscal year 2018 compared to the prior year was attributable to the District recognizing negative pension expense of $9.3 million related the State-wide pension systems for current year as opposed to the $2.9 million additional expense for the prior year. The decrease in pension expenses reported for the year greatly offset the increase in expenses related to personnel costs (wages, benefits, and step increase) for the period.

Total revenues reported for fiscal year 2018 increased by under 1.0% over those reported for the prior fiscal year. Program revenues totaled $3.3 million for the current fiscal year compared to the $3.6 million reported for prior year. The decrease in program revenues resulted from decreased tuition and fees related to open enrollment as well as extracurricular activities revenue which fluctuate annually. Program revenues represented 10.8% of the District's total revenues reported for fiscal year 2018. The remaining revenue sources, classified as general revenues, accounted for the remaining 89.2% of the total revenue sources and are comprised primarily of property tax and unrestricted intergovernmental revenues. Property tax revenues reported for the current year remained virtually the same as the revenue amount reported for the prior year. Unrestricted grants and entitlements intergovernmental revenue increased by 0.9% over the prior year based on finalization of a prior year program settlement which resulted in the District receiving additional funding during current year. Combined, property taxes and unrestricted intergovernmental revenues account for 87.0% of the District's total revenue received for fiscal year 2018.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues including tax revenue, investment earnings and unrestricted State entitlements must support the net cost of program services. Comparisons to 2017 are as follows:

TABLE 3
TOTAL AND NET COST OF PROGRAM SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30,

		2018		2017	
		Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	$	6,509,809	(4,765,246)	16,492,044	(14,506,210)
Support Services		6,563,880	(6,437,001)	8,214,263	(8,064,339)
Non-Instructional Services		715,829	(58,424)	786,717	(146,804)
Extracurricular Activities		1,027,183	(255,550)	1,123,744	(283,114)
Interest and Fiscal Charges		354,576	(354,576)	385,326	(385,326)
Total Expenses	$	15,171,277	(11,870,797)	27,002,094	(23,385,793)

The District is heavily reliant upon general revenue resources to finance operations. During fiscal year 2018, general revenues accounted for 89.2% of total revenues, with property tax revenue accounting for 53.6% alone. The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for approximately $11.9 million of support to finance the functions. In total, general revenues were used to cover 78.2% of total expenses. Combined, the revenues generated by the non-instructional services and extracurricular activities functions covered 82.0% of the total expenses of those two functional areas for the fiscal year.

The District's Funds
The financial statements for the District's governmental funds (starting after the Statement of Activities) report major funds (general and permanent improvement funds) individually and combine all other governmental funds into one column for reporting purposes. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $30.7 million and expenditures of $30.6 million. Overall fund balance of governmental funds increased $5.0 million over those at June 30, 2017.

The general fund is the primary operating fund of the District. The general fund balance increased by $2.3 million during the year compared to the $3.6 million increase reported for the prior year. In the prior year, the District received the full benefit of the emergency tax levy approved in May 2015. For fiscal year 2018, general fund revenues normalized and reported a slight increase of 1.3% over prior year revenues. General fund expenditures increased by $1.7 million or 7.5% over those reported for the prior year. Increased expenditures related primarily from personnel and benefit costs increases, as well as the general fund absorbing some instruction cost previously funded through State education grants in the prior year. Overall, the unassigned fund balance reported for the general fund at June 30, 2018 represents 54% of the total expenditures reported for the fund for the fiscal year compared with 50% for fiscal year 2017.

The other major governmental fund, the permanent improvement fund, reported an increase in fund balance of $2.6 million during the current fiscal year. This increase can be attributed to $4.8 million resources provided by the lease-purchase agreement entered into by the District offset by the amount spent on improvements to District facilities. The remaining resources will be expended during the subsequent fiscal year. The ending fund balance of $3.2 million is a 411% increase over the fund balance reported at June 30, 2017.

General Fund Budget Information

Prior to the start of the fiscal year, the District adopted a temporary budget for the general fund. Shortly into the fiscal year, the permanent budget was adopted which anticipated ending the year with an ending budgetary fund balance of $11.9 million. As the year progressed, the budget was amended several times as uncertainties that existed before the year became known. Overall, the effects of the various budgetary amendments had little overall impact on the general fund balance. The actual ending budgetary fund balance reported by the District at June 30, 2018 was $13.0 million which was $1.2 million more than the final amended budget as the additional revenues received during the year were not budgeted for expenditure.

Actual budgetary revenues were $18.5 million compared with original budgetary estimates of $17.0 million. Actual budgetary expenditures (actual expenditures plus outstanding encumbrances) totaled $16.5 million compared to the $16.9 million anticipated in the initial appropriations adopted for the fiscal year. The insignificant difference between original budgetary estimates compared to the actual results reported for the fiscal year indicate the effectiveness of the budgetary process adopted by the District.

Capital Assets

At the end of the fiscal year 2018, the District had $22.2 million invested in land, construction in progress, land improvements, buildings and improvements, and equipment and machinery. Table 4 shows the fiscal year 2018 balances compared to fiscal year 2017.

TABLE 4
NET CAPITAL ASSETS, JUNE 30

		2018	2017
Land	$	2,278,313	2,278,313
Construction in Progress		1,250,950	-
Land Improvements		2,056,189	1,485,921
Buildings and Improvements		15,232,703	15,385,486
Machinery and Equipment		1,368,769	1,153,878
Total Net Capital Assets	$	22,186,924	20,303,598

During the fiscal year, the District reported capital asset additions totaling $2.8 million, including $1.25 million in construction in progress related to renovation and upgrades to District facilities. Depreciation expense for the year totaled $918,445. Additional information regarding capital assets can be found in Note 9 of this report.

Debt Administration
At June 30, 2018, the District reported $15.9 million in long-term liabilities related to outstanding debt obligations; $10.4 million of general obligation bonds, $663,903 of energy conservation notes payable, and $4.8 million of capital leases payable. Of the $15.9 million outstanding at year end, $1.6 million is scheduled for payment within the next fiscal year.

During the current year, the District became party to a lease-purchase agreement to provide resources necessary to renovate and upgrade the mechanical systems of District owned facilities. This agreement provided $4.8 million in resources and will be repaid through the permanent improvement fund over the next twenty years.

Additional detailed information regarding long-term debt obligations is included in Note 10 to the basic financial statements.

Contacting the District
This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the District's financial position and to show the District's accountability for the funds it receives. Should you have any questions about this report or any other financial matter, contact the Treasurer's Office at Tipp City Exempted Village School District, 90 South Tippecanoe Drive, Tipp City, Ohio 45371.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Position
June 30, 2018

		Governmental Activities
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	$	16,200,602
Cash and Cash Equivalents in Segregated Accounts		3,274,366
Materials and Supplies Inventory		6,298
Accounts Receivable		39,751
Intergovernmental Receivable		262,972
Property and Other Local Taxes Receivable		16,468,955
Capital Assets:		
Land and Construction in Progress		3,529,263
Depreciable Capital Assets, net		18,657,661
Total Assets		58,439,868
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Charge on Refunding		237,046
Pension and OPEB		9,054,897
Total Deferred Outflows of Resources		9,291,943
LIABILITIES:		
Accounts Payable		69,740
Accrued Wages and Benefits		1,986,600
Intergovernmental Payable		420,559
Accrued Interest Payable		36,243
Long-Term Liabilities:		
Due Within One Year		1,605,869
Due in More Than One Year:		
Net Pension Liability		29,006,951
Net OPEB Liability		6,345,325
Other Amounts Due in More Than One Year		17,103,518
Total Liabilities		56,574,805
DEFERRED INFLOWS OF RESOURCES:		
Property Taxes not Levied to Finance Current Year Operations		14,720,460
Pension and OPEB		1,873,777
Total Deferred Inflows of Resources		16,594,237
NET POSITION:		
Net Investment in Capital Assets		9,794,433
Restricted for:		
Debt Service		1,387,359
District Managed Student Activities		257,385
Other Purposes		47,231
Unrestricted		(16,923,639)
Total Net Position	$	(5,437,231)

The notes to the financial statements are an integral part of this statement.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	$ 6,509,809	$ 892,221	$ 852,342	$ (4,765,246)
Support Services:				
Pupils	701,857	-	-	(701,857)
Instructional Staff	449,672	-	9,000	(440,672)
Board of Education	27,770	-	-	(27,770)
Administration	1,269,437	-	2,120	(1,267,317)
Fiscal	745,837	-	-	(745,837)
Business	145,629	-	-	(145,629)
Operation and Maintenance of Plant	1,886,711	93,086	-	(1,793,625)
Pupil Transportation	939,222	5,139	17,534	(916,549)
Central	397,745	-	-	(397,745)
Operation of Non-Instructional Services	715,829	439,662	217,743	(58,424)
Extracurricular Activities	1,027,183	570,531	201,102	(255,550)
Interest and Fiscal Charges	354,576	-	-	(354,576)
Total Governmental Activities	$ 15,171,277	$ 2,000,639	$ 1,299,841	(11,870,797)

General Revenues:	
Property Taxes Levied for:	
General Purposes	14,455,118
Debt Service	1,401,647
Capital Projects	591,559
Grants and Entitlements not Restricted to Specific Programs	10,231,712
Investment Earnings	196,394
Miscellaneous	492,337
Total General Revenues	27,368,767
Change in Net Position	15,497,970
Net Position - Beginning of Year, Restated	(20,935,201)
Net Position - End of Year	$ (5,437,231)

The notes to the financial statements are an integral part of this statement

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Permanent Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	$ 14,041,739	$ 562,640	$ 1,596,223	$ 16,200,602
Cash and Cash Equivalents in Segregated Accounts	-	3,274,366	-	3,274,366
Materials and Supplies Inventory	-	-	6,298	6,298
Accounts Receivable	39,751	-	-	39,751
Interfund Receivable	145,250	-	-	145,250
Intergovernmental Receivable	109,100	-	153,872	262,972
Property and Other Local Taxes Receivable	14,474,054	595,233	1,399,668	16,468,955
Advance to Other Funds	600,200	-	-	600,200
Total Assets	$ 29,410,094	$ 4,432,239	$ 3,156,061	$ 36,998,394
LIABILITIES:				
Accounts Payable	$ 40,379	$ 2,715	$ 26,646	$ 69,740
Accrued Wages and Benefits	1,869,519	-	117,081	1,986,600
Interfund Payable	-	75,000	70,250	145,250
Intergovernmental Payable	405,363	-	15,196	420,559
Advance from Other Funds	-	600,200	-	600,200
Total Liabilities	2,315,261	677,915	229,173	3,222,349
DEFERRED INFLOWS OF RESOURCES				
Property Taxes not Levied to Finance Current Year Operations	12,929,519	534,485	1,256,456	14,720,460
Unavailable Revenue	54,002	2,269	89,577	145,848
Total Deferred Inflows of Resources	12,983,521	536,754	1,346,033	14,866,308
FUND BALANCES:				
Nonspendable:				
Materials and Supplies Inventory	-	-	6,298	6,298
Long-Term Receivable	600,200	-	-	600,200
Restricted:				
Debt Service	-	-	1,400,691	1,400,691
Capital Outlay	-	3,217,570	-	3,217,570
Student Activities	-	-	257,385	257,385
Other Purposes	-	-	47,231	47,231
Assigned:				
School Supported Activities	198,262	-	-	198,262
School Supplies	116,520	-	-	116,520
Future Purchases	156,315	-	-	156,315
Unassigned (Deficit)	13,040,015	-	(130,750)	12,909,265
Total Fund Balances	14,111,312	3,217,570	1,580,855	18,909,737
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 29,410,094	$ 4,432,239	$ 3,156,061	$ 36,998,394

The notes to the financial statements are an integral part of this statement.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

Total Governmental Fund Balances	$	18,909,737
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		22,186,924
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.		
Property Taxes Receivable		61,678
Intergovernmental Receivable		84,170
Certain items will not be recognized as expenditures for the current period and therefore are reported as deferred outflows of resources on the statement of net position.		
Deferred Charge on Refunding		237,046
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds		(10,430,000)
Energy Conservation Notes		(663,903)
Capital Leases Payable		(4,810,000)
Compensated Absences		(2,805,484)
Accrued Interest on Long-Term Debt		(36,243)
The net pension and OPEB liabilities are not due and payable in the current period; therefore, these liabilities and related deferred outflows and inflows of resources are not reported in the governmental funds.		
Deferred Outflows - Pension and OPEB		9,054,897
Deferred Inflows - Pension and OPEB		(1,873,777)
Net Pension Liability		(29,006,951)
Net OPEB Liability		(6,345,325)
Net Position of Governmental Activities	$	(5,437,231)

The notes to the financial statements are an integral part of this statement.

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

	General Fund	Permanent Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	$ 14,540,782	$ 594,947	$ 1,409,374	$ 16,545,103
Intergovernmental	10,092,516	77,640	1,093,827	11,263,983
Interest	195,455	626	313	196,394
Tuition and Fees	897,360	-	-	897,360
Rent	93,086	-	-	93,086
Extracurricular Activities	236,579	-	321,161	557,740
Gifts and Donations	28,736	75,000	163,013	266,749
Customer Sales and Services	-	-	436,876	436,876
Miscellaneous	479,179	-	11,388	490,567
Total Revenues	26,563,693	748,213	3,435,952	30,747,858
EXPENDITURES:				
Current:				
Instruction	15,065,502	16,411	663,554	15,745,467
Support Services:				
Pupils	1,309,189	-	450	1,309,639
Instructional Staff	438,407	167,844	11,200	617,451
Board of Education	27,770	-	-	27,770
Administration	2,106,251	2,400	2,120	2,110,771
Fiscal	693,795	69,257	22,794	785,846
Business	161,835	-	-	161,835
Operation and Maintenance of Plant	2,034,491	15,500	-	2,049,991
Pupil Transportation	1,096,119	76,800	-	1,172,919
Central	405,866	78,556	-	484,422
Operation of Non-Instructional Services	11,930	-	726,668	738,598
Extracurricular Activities	748,724	14,000	449,209	1,211,933
Capital Outlay	15,750	2,438,900	-	2,454,650
Debt Service:				
Principal	64,675	84,442	1,280,000	1,429,117
Interest and Fiscal Charges	19,089	6,604	235,371	261,064
Total Expenditures	24,199,393	2,970,714	3,391,366	30,561,473
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,364,300	(2,222,501)	44,586	186,385
OTHER FINANCING SOURCES AND USES:				
Proceeds from Sale of Capital Assets	1,326	104	2,646	4,076
Insurance Recoveries	13,271	-	-	13,271
Inception of Capital Lease	-	4,810,000	-	4,810,000
Transfers In	-	-	118,800	118,800
Transfers Out	(118,800)	-	-	(118,800)
Total Other Financing Sources and Uses	(104,203)	4,810,104	121,446	4,827,347
Net Change in Fund Balances	2,260,097	2,587,603	166,032	5,013,732
Fund Balance at Beginning of Year	11,851,215	629,967	1,414,823	13,896,005
Fund Balance at End of Year	$ 14,111,312	$ 3,217,570	$ 1,580,855	$ 18,909,737

The notes to the financial statements are an integral part of this statement.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds		$ 5,013,732
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	2,801,771	
Depreciation Expense	(918,445)	1,883,326
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Decrease in Unavailable Property Tax Revenue	(96,779)	
Increase in Unavailable Intergovernmental Revenue	821	(95,958)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, deferred loss on refunding debt when first issued, whereas these amounts are amortized in the statement of activities.		
Repayment of Long-Term Bonds, Notes, and Capital Leases	1,429,117	
Current Year Amortization of Deferred Charge on Refunding	(80,009)	
Inception of Capital Lease	(4,810,000)	(3,460,892)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expense is reported when due.		(13,503)
Some expenses reported in the statement of activities do not required the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Increase in Compensated Absences Payable		(333,850)
Contractually required pension and OPEB plan contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows.		2,123,343
Except for amounts reported as deferred inflows and outflows of resources, changes in the net pension and OPEB liabilities are reported as negative expense in the statement of activities.		10,381,772
Change in Net Positon of Governmental Activities		$ 15,497,970

The notes to the financial statements are an integral part of this statement.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	$ 7,440,628	$ 7,440,628	$ 7,610,477	$ 169,849
Intergovernmental	8,411,377	9,119,377	9,298,167	178,790
Interest	60,000	120,000	226,837	106,837
Tuition and Fees	728,000	631,250	742,652	111,402
Rent	100,000	100,000	93,086	(6,914)
Extracurricular Activities	100,000	100,000	106,936	6,936
Miscellaneous	138,000	365,995	396,537	30,542
Total Revenues	16,978,005	17,877,250	18,474,692	597,442
Expenditures:				
Current:				
Instruction	7,758,461	7,850,984	7,629,548	221,436
Support Services:				
Pupils	1,256,470	1,266,380	1,321,881	(55,501)
Instructional Staff	465,171	450,398	441,738	8,660
Board of Education	29,475	31,075	27,970	3,105
Administration	2,128,597	2,155,887	2,136,755	19,132
Fiscal	617,681	617,681	583,260	34,421
Business	174,649	174,649	161,762	12,887
Operation and Maintenance of Plant	2,170,472	2,169,672	2,026,908	142,764
Pupil Transportation	1,115,269	1,172,769	1,097,143	75,626
Central	458,655	456,655	384,833	71,822
Operation of Non-Instructional Services	11,665	11,665	12,340	(675)
Extracurricular Activities	546,125	550,241	542,420	7,821
Capital Outlay	55,000	55,000	45,000	10,000
Debt Service:				
Principal	64,675	64,675	64,675	-
Interest and Fiscal Charges	19,089	19,089	19,089	-
Total Expenditures	16,871,454	17,046,820	16,495,322	551,498
Excess of Revenues Over Expenditures	106,551	830,430	1,979,370	1,148,940
Other Financing Sources (Uses):				
Advances In	52,275	52,275	52,275	-
Proceeds From Sale of Capital Assets	-	-	1,326	1,326
Insurance Recoveries	-	-	13,271	13,271
Refund of Prior Year Expenditures	70,000	70,000	82,164	12,164
Refund of Prior Year Receipts	(3,210)	(3,210)	(3,210)	-
Transfers Out	(60,000)	(144,457)	(144,457)	-
Advances Out	(100,000)	(745,450)	(745,450)	-
Total Other Financing Sources (Uses)	(40,935)	(770,842)	(744,081)	26,761
Net Change in Fund Balance	65,616	59,588	1,235,289	1,175,701
Fund Balance, July 1	11,605,544	11,605,544	11,605,544	-
Prior Year Encumbrances	198,499	198,499	198,499	-
Fund Balance, June 30	$ 11,869,659	$ 11,863,631	$ 13,039,332	$ 1,175,701

The notes to the financial statements are an integral part of this statement.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

	Agency Funds
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$ 83,269
Total Current Assets	83,269
Total Assets	83,269
LIABILITIES:	
Current Liabilities:	
Accounts Payable	1,326
Undistributed Monies	1,411
Due to Students	80,532
Total Current Liabilities	83,269
Total Liabilities	$ 83,269

The notes to the financial statements are an integral part of this statement.

1. Description of the District and Reporting Entity

The Tipp City Exempted Village School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected, five member Board of Education (the Board) which provides educational services.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading.

The primary government consists of all funds and departments, which provide various services including instruction, student guidance, extracurricular activities, food service, pre-school, educational media and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education.

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 body 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; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations for which the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District is associated with organizations which are defined as an insurance purchasing pool, jointly governed organizations, and a related organization. Information about the insurance pool organization (Southwestern Ohio Educational Purchasing Cooperative Group Rating Program) can be found in Note 11 to the basic financial statements. Additional details on the three organizations defined as jointly governed organizations (Southwestern Ohio Educational Purchasing Council, Miami Valley Career Technology Center, and META Solutions) can be found in Note 17 to the basic financial statements. Information on the Tipp City Public Library, defined as a related organization, can be located in Note 18 to the basic financial statements.

2. Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's policies are described below.

a. Fund Accounting

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

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

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

Permanent Improvement Fund - The permanent improvement fund is used to account for the resources generated by the 2.0 mill permanent improvement levy restricted for significant capital purchases or improvements and maintenance of District property.

Other governmental funds of the District may be used to account for specific resources that are restricted or committed to specified purposes.

Fiduciary Funds
Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include agency funds. Agency funds are purely custodial and thus do not involve measurement of results of operations. The District's agency funds account for the financial activity of various student managed activities as well as state athletic tournament games held at District facilities.

2. Summary of Significant Accounting Policies (continued)

b. Basis of Presentation

Government-wide Financial Statements
The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements
Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all non-major funds are aggregated into one column.

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

Agency funds have no measurement focus.

2. Summary of Significant Accounting Policies (continued)

c. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The Fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for fiduciary funds.

Revenues, Exchange and Non-exchange Transactions
Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty (60) days after year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, tuition, intergovernmental grants and student fees.

Deferred Outflows/Inflows of Resources
In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charge on refunding, pension, and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained further in Notes 12 and 13.

2. Summary of Significant Accounting Policies (continued)

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

Expenditures/Expenses
The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities to the extent that payments come due each period upon the occurrence of employee resignations and retirements. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting utilized for the government-wide financial statements recognize revenues when they are earned, and expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting
The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated, however the District elects to adopt appropriations and budgets for its agency funds. The legal level of control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

2. Summary of Significant Accounting Policies (continued)

Tax Budget
Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing on the following July 1. As Miami County has waived the formal tax budget filing, an alternative tax budget is submitted to the County Auditor, as Secretary of the County Budget Commission, prior to the start of the fiscal year.

Estimated Resources
Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2018.

Appropriations
Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriation by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. The budget figures, which appear in the statements of budgetary comparison, represent the final appropriation amounts, including all amendments and modifications.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures from

2. Summary of Significant Accounting Policies (continued)

exceeding appropriations. On the fund financial statement encumbrances are reported within the restricted, committed or assigned fund balances depending on the restrictions placed upon the resources encumbered. For the general fund, encumbrances are reported as a component of assigned fund balance indicating that amount is not currently available. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis.

Lapsing of Appropriations
At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

d. Cash and Investments

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account (See Note 5 for additional details).

Cash and cash equivalents include investments of the investment pool as well as individual investments with original maturities of three months or less. Cash and cash equivalents in segregated accounts represent monies to be spent in conjunction with the lease-purchase agreement.

Under existing Ohio statutes, all investment earnings accrue to the general fund unless specifically required to be allocated to other funds. Investment earnings credited to the general fund during the fiscal year amounted to $195,455, which includes $31,386 assigned from other District funds.

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

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio

2. Summary of Significant Accounting Policies (continued)

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.

e. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market using the first in, first out (FIFO) method and are expensed when used.

On fund financial statements, inventories of governmental funds are valued at cost. For all funds, cost is determined using the FIFO method, and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption, and supplies held for resale. The cost is recorded as an expenditure when used. Reported inventories in these funds are reported as a non-spendable component of fund balance.

f. Capital Assets and Depreciation

General capital assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at the acquisition value as of the date received. The District follows the policy of not capitalizing assets with a cost of less than $1,500 and a useful life of less than 1 year. The District does not possess any infrastructure.

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

Description	Useful Life (years)
Land Improvements	20
Buildings and Improvements	20 - 50
Machinery and Equipment	5 - 20

g. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. Long-term interfund loans are reported as advances to/from other funds and are equally offset by non-spendable fund balance to indicate they are not available financial resources, and therefore not available for appropriation. These amounts are eliminated in the statement of net position.

2. Summary of Significant Accounting Policies (continued)

h. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a cumulative maximum of 210 days. Upon retirement, employees can receive a portion of the sick leave between 27% to 39%, depending on the type of employment contract. In addition, a Merit Service Retirement Award may be paid for sick leave balances in excess of the 210 days depending upon the type of employment contract.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

i. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits. Long-term debt service paid from governmental funds is not recognized as a liability in the fund financial statements until they come due.

j. Pensions/Other Postemployment Benefit (OPEB) Plans

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and 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 and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans report investments at fair value.

2. Summary of Significant Accounting Policies (continued)

k. Fund Balance

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted – amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the District's highest level of decision-making authority, the Board of Education.

Assigned – amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted or committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

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

The District applies restricted resources first when an expenditure is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

l. Net Position

Net position represents the difference between assets and deferred outflows of resources compared with liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets.

2. Summary of Significant Accounting Policies (continued)

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, regulations or other governments. There was no net position restricted by enabling legislation at June 30, 2018.

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

m. Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements to avoid "doubling up" revenues and expenses. Flows of cash or goods from one fund to another without requirement of repayment are reported as interfund transfers. Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are also eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Repayments from funds responsible for particular expenditures to the fund(s) that initially paid for them are not presented on the financial statements.

n. Estimates

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

3. Accountability and Compliance

a. Change in Accounting Principles

For fiscal year 2018, the District implemented the Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions,* No. 81, *Irrevocable Split-Interest*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*.

GASB Statement No. 75 replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB provided to employees. Statement 75 also requires governments in all types of OPEB plans to provide more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The implementation of GASB Statement No. 75 required the District to restate beginning net position of governmental activities at July 1, 2017.

3. Accountability and Compliance (continued)

GASB Statement No. 81 requires the 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. GASB Statement No. 85 establishes accounting and reporting requirements for blending component units, goodwill, fair value measurement and applications, and postemployment benefits (pension and other postemployment benefits). GASB Statement No. 86 establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the purpose of extinguishing debt. The implementation of these Standards had no effect on the District's financial statements.

b. Restatement of Net Position

The implementation of GASB Statement No. 75 for fiscal year 2018 had the following effect on the governmental activities net position as reported June 30, 2017:

Net position (deficit) June 30, 2017 previously reported	$	(13,041,973)
Adjustments:		
Net OPEB liability at June 30, 2017		(7,943,273)
Deferred outflows - payments subsequent to measurement date		50,045
Net position (deficit) June 30, 2017 as restated	$	(20,935,201)

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

c. Deficit Fund Balances

Individual fund deficits reported at June 30, 2018 include the following:

Non-Major Funds		Deficit
Food Service	$	44,779
Miscellaneous State Grants		450
Title VI-B Grant		61,704
Title I Grant		10,972
Title IIA, Improving Teacher Quality Grant		6,547

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

4. Budgetary Basis of Accounting

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

- Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- In order to determine compliance with Ohio law, and reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to an assignment of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund are as follows:

Net Change in Fund Balance

	General Fund
Budget Basis	$ 1,235,289
Adjustments:	
Revenue Accruals	73,706
Expenditure Accruals	(59,658)
Encumbrances	163,780
Other Financing Sources (Uses)	639,878
Perspective Budgeting Difference	207,102
GAAP Basis	$ 2,260,097

5. Deposits and Investments

State statutes require 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 be maintained either as cash in the District Treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies - Those monies not required for use within the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies - Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested in legal securities, as listed below.

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

5. Deposits and Investments (continued)

- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from purchase date in an amount not to exceed 40% of the interim monies available for investment at any one time, and;

- Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of table 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 of or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits
The carrying amount of all District deposits was $14,470,626, which includes $17,490 of cash on hand, and bank deposits totaled $14,680,426 at June 30, 2018. At June 30, 2018, the total amount of the District's bank balance was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. The District's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged or pooled securities. Ohio law requires that deposits either be insured or be protected by:

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

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

5. Deposits and Investments (continued)

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

Investment Type	Fair Value	Maturity (in years) less than 1	1-3	more than 3
Negotiable Certificates of Deposits	$ 764,109	$ 399,064	$ 365,045	$ -
Money Market	3,290,136	3,290,136	-	-
STAR Ohio	1,033,366	1,033,366	-	-
Total	$ 5,087,611	$ 4,722,566	$ 365,045	$ -

Interest Rate Risk
As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk
The District follows Ohio Revised Code (ORC) which limits the amount of credit risk it's going to allow any district to become involved in. It accomplishes this by compiling a specific list of investments, to the exclusion of all other investments, which school districts are legally allowed to participate in. The District has no policy limiting investments based on credit risk other than those established by ORC.

Custodial Credit Risk
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment in STAR Ohio was rated AAAm by Standard & Poor's. Investments in negotiable CDs and money market accounts are not rated.

Concentration of Credit Risk
The District places a limit on the percentage of the portfolio that may be held in the form of commercial paper, other than this stipulation, the District places no limit on the amount that may be invested in any one issuer. The investment in negotiable CDs, STAR Ohio, and money market accounts represented 15%, 20% and 65%, respectively, of the District's June 30, 2018 investment portfolio.

Fair Value Measurement
The District's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

5. Deposits and Investments (continued)

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the transparency of the instrument and should not be perceived as the particular investment's risk. The District's investment in negotiable certificates of deposits (noted above) are classified as level 2 based on the valuation based on pricing sources as provided by the investment managers. The District's investment in money market funds and STAR Ohio are measured at amortized cost and NAV, respectively.

6. Property Taxes

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

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

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

6. Property Taxes (continued)

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

	2018 First Half Collections	2017 Second Half Collections
Agricultural/Residential and Other Real Estate	$ 394,425,600	$ 393,434,710
Public Utility Personal	10,597,450	10,227,200
Total Assessed Value	$ 405,023,050	$ 403,661,910
Tax rate per $1,000 of assessed valuation	$57.90	$58.43

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for the portion not intended to finance current year operations. On the accrual basis, total delinquent property tax amounts existing at year end have been recorded as revenue.

7. Interfund Transactions

Interfund balances on the fund statements at June 30, 2018 consist of the following receivables and payables:

Fund	Receivable	Payable
General Fund	$ 145,250	
Permanent Improvement Fund		$ 75,000
Non-Major Governmental Funds:		
Miscellaneous State Grants		450
Title VIB Grant		47,000
Title I Grant		17,000
Title II-A Grant		5,500
Title IV-A Grant		300
	$ 145,250	$ 145,250

7. Interfund Transactions (continued)

All amounts reported as interfund receivables and payables are expected to be repaid to the general fund within one year from June 30, 2018.

During the year, the general fund advanced funds to the permanent improvement fund to finance certain improvement projects. This advance is anticipated to be paid to the general fund over a ten-year period starting in fiscal year 2019. The amount expected to be repaid in the subsequent fiscal year is shown as “interfund receivable and payable” in the governmental fund while the long-term portion (greater than one year) is reported as “advance to and from other funds”. The District anticipates returning $75,000 per year to the general fund.

In addition, during the fiscal year the general fund transferred $118,800 to the food service ($67,000) and district managed activities ($51,800) non-major funds to provide necessary operating resources.

8. Receivables

Receivables at June 30, 2018 consisted of taxes, accounts (tuition and student fees), and intergovernmental grants and entitlements. 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. Intergovernmental receivable consisted of the following:

	Amount
General Fund:	
Medicaid Reimbursement	$ 103,825
ESC Annual Settlement	5,275
Non-Major Governmental Funds:	
IDEA, Part B Grant	110,212
Title I Grant	31,330
Title IIA, Improving Teacher Quality Grant	12,030
Title IV-A, Student Support and Academic Enrichment	300
Total	$ 262,972

9. Capital Assets

A summary of capital asset activity during the fiscal year follows:

	Balance at 7/1/2017	Additions	Deductions	Balance at 6/30/2018
Capital Assets, not being depreciated:				
Land	$ 2,278,313	$ -	$ -	$ 2,278,313
Construction in Progress	-	1,250,950	-	1,250,950
	2,278,313	1,250,950	-	3,529,263
Capital Assets, being depreciated:				
Land Improvements	4,404,695	767,974	-	5,172,669
Buildings and Improvements	26,670,444	337,735	-	27,008,179
Machinery and Equipment	5,103,315	445,112	(209,757)	5,338,670
Total Cost	38,456,767	2,801,771	(209,757)	41,048,781
Less: Accumulated Depreciation:				
Land Improvements	(2,918,774)	(197,706)	-	(3,116,480)
Buildings	(11,284,958)	(490,518)	-	(11,775,476)
Machinery and Equipment	(3,949,437)	(230,221)	209,757	(3,969,901)
Total Depreciation	(18,153,169)	(918,445) *	209,757	(18,861,857)
Total Capital Assets, net	$ 20,303,598	$ 1,883,326	$ -	$ 22,186,924

* - Depreciation expense was charged to governmental functions as follows:

Instruction	$ 713,209
Support Services:	
Instructional Support	5,336
Administrative	5,159
Operation and Maintenance	16,935
Pupil Transportation	136,835
Central	1,227
Non-Instructional Services	22,573
Extracurricular Activities	17,171
Total Depreciation Expense	$ 918,445

10. Long-Term Obligations

The activity of the District's long-term obligations during fiscal year 2018 was as follows:

	Restated Balance 7/1/2017	Increase	Decrease	Balance 6/30/2018	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2015 Refunding Bonds					
Serial Interest, 2.53%	$ 6,705,000	$ -	$ (155,000)	$ 6,550,000	$ 155,000
2016 Refunding Bonds					
Term, 1.65%	4,710,000	-	(1,125,000)	3,585,000	1,145,000
2016 Land Acquisition					
Bonds, 1.95%	330,000	-	(35,000)	295,000	35,000
Total General Obligation Bonds	11,745,000	-	(1,315,000)	10,430,000	1,335,000
Energy Conservation Notes:					
HB 264 Improvements, 2.62%	728,578	-	(64,675)	663,903	66,369
Capital Leases Payable	49,442	4,810,000	(49,442)	4,810,000	160,000
Net Pension Liability:					
SERS	6,703,117	-	(1,277,002)	5,426,115	-
STRS	33,149,792	-	(9,568,956)	23,580,836	-
Total Net Pension Liability	39,852,909	-	(10,845,958)	29,006,951	-
Net OPEB Liability:					
SERS	2,646,889	-	(174,555)	2,472,334	-
STRS	5,296,384	-	(1,423,393)	3,872,991	-
Total Net OPEB Liability	7,943,273	-	(1,597,948)	6,345,325	-
Compensated Absences	2,471,634	433,850	(100,000)	2,805,484	44,500
Total Governmental Activities	$ 62,790,836	$ 5,243,850	$ (13,973,023)	$ 54,061,663	$ 1,605,869

a. General Obligations Bonds

The $6.9 million 2015 refunding bond issue consists of serial interest bonds bearing an interest rate of 2.53% that has a final maturity of December 1, 2024. The $4.7 million 2016 refunding bond issue is a single term bond bearing an interest rate of 1.65% that has a final maturity of December 1, 2021.

The 2016 refunding bond issue is subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of the redemption, on December 1 in the years and in the respective principal amounts as follows:

10. <u>Long-Term Obligations</u> (continued)

Year	Principal Amount to be Redeemed
2018	$ 1,145,000
2019	1,155,000
2020	1,175,000
2021	110,000
Total	$ 3,585,000

In 2015, the District issued $360,000 of land acquisition bonds to provide financing for the acquisition of real estate for District purposes. These bonds carry an interest rate of 1.95% and have interest payment dates of June 1st and December 1st each year, beginning June 1, 2016. Principal payment dates of December 1st each year have been established beginning on December 1, 2016 and concluding on December 1, 2025. These bonds are subject to optional redemption, at the option of the District, on any date on or after December 1, 2020 at a redemption price equal to 101% of the par value of the bonds to be redeemed.

A summary of the District's future debt service payments, including principal and interest payments, related to general obligation bonds are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 1,335,000	$ 218,872	$ 1,553,872
2020	1,350,000	195,229	1,545,229
2021	1,380,000	171,150	1,551,150
2022	1,385,000	142,030	1,527,030
2023	1,530,000	105,842	1,635,842
2024-2026	3,450,000	87,000	3,537,000
Total	$ 10,430,000	$ 920,123	$ 11,350,123

b. Energy Conservation Notes

In 2013, the District issued $1,028,010 of energy conservation notes through the Ohio School Facilities Commission's Energy Conservation Program, commonly known as the HB 264 program. Improvements included lighting and building automation upgrades as well as air filtration and boiler optimization work. A summary of the District's future debt service payments, including principal and interest payments, related to the energy conservation notes payable are as follows:

10. Long-Term Obligations (continued)

Fiscal Year	Principal	Interest	Total
2019	$ 66,369	$ 17,394	$ 83,763
2020	68,108	15,655	83,763
2021	69,892	13,871	83,763
2022	71,724	12,040	83,764
2023	73,603	10,161	83,764
2024-2027	314,207	20,847	335,054
Total	$ 663,903	$ 89,968	$ 753,871

c. Capitalized Leases

The District is obligated under leases accounted for as capital leases. The costs of the leased assets are accounted for in the Governmental Activities capital assets and the related liability in the Governmental Activities long-term obligations. During the current year, the District entered into a land lease-purchase agreement to provide financing for certain improvements to District facilities. The lease agreement that was in place in the prior year was paid in full during the current fiscal year by making principal payments of $49,442. Assets acquired through the 2018 lease-purchase agreement amounted to $1.25 million of construction in progress at June 30, 2018.

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:

Fiscal Year Ended June 30,	Total Payments
2019	$ 340,400
2020	340,731
2021	339,280
2022	342,547
2023	340,535
2024-2028	1,707,670
2029-2033	1,717,010
2034-2038	1,710,161
Total Minimum Lease Payments	6,838,334
Less: Amount Representing Interest	(2,028,334)
Present Value of Minimum Lease Payments	$ 4,810,000

10. Long-Term Obligations (continued)

d. Other Long-Term Liabilities

The District pays obligations related to employee compensation (compensated absences as well as pension and OPEB plan contributions) from the fund benefitting from their service; specifically, the general fund, food service fund, IDEA Part B grant fund, and Title I grant fund.

11. Risk Management

The District is exposed to various risks of loss related to torts, theft or, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2018, the District contracted with Ohio Casualty for fleet insurance coverage (deductible of $1,000) as well as buildings and contents coverage (deductible of $2,500). There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The District participates in the Southwestern Ohio Educational Purchasing Cooperative Group Rating Program (the GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson and Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the 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.

12. 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.

12. **Defined Benefit Pension Plans** (continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

12. **Defined Benefit Pension Plans** (continued)

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	Age 65 with 5 years of service credit; or any age with 30 years of service credit	Age 67 with 10 years of service credit; or age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or age 60 with 25 years of service credit

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

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

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

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

The District's contractually required contribution to SERS was $441,679 for fiscal year 2018. Of this amount, $87,229 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

12. Defined Benefit Pension Plans (continued)

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account.

12. Defined Benefit Pension Plans (continued)

STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

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 District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was approximately $1,610,718 for fiscal year 2018. Of this amount, $257,108 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportionate share of the net pension liability	$ 5,426,115	$ 23,580,836	$ 29,006,951
Proportion of the net pension liability	0.0908170%	0.0992659%	
Change in proportionate share	-0.0007672%	0.0002316%	
Pension (negative) expense	$ (201,125)	$ (9,139,897)	$ (9,341,022)

12. Defined Benefit Pension Plans (continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 233,522	$ 910,581	$ 1,144,103
Change in assumptions	280,589	5,157,388	5,437,977
Change in District's proportionate share and difference in employer contributions	24,771	90,516	115,287
District contributions subsequent to the measurement date	441,679	1,610,718	2,052,397
Total	$ 980,561	$ 7,769,203	$ 8,749,764
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ -	$ (190,052)	$ (190,052)
Net difference between projected and actual earnings on pension plan investments	(25,757)	(778,196)	(803,953)
Change in District's proportionate share and difference in employer contributions	(41,458)	(96,974)	(138,432)
Total	$ (67,215)	$ (1,065,222)	$ (1,132,437)

$2,052,397 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 210,359	$ 1,038,459	$ 1,248,818
2020	317,648	2,097,075	2,414,723
2021	70,184	1,532,196	1,602,380
2022	(126,494)	425,533	299,039
	$ 471,697	$ 5,093,263	$ 5,564,960

12. **Defined Benefit Pension Plans** (continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment rate of return	7.50 percent of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.

12. **Defined Benefit Pension Plans** (continued)

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
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 – Total pension liability was calculated using the discount rate of 7.5%. 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 (7.5%). 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.

12. Defined Benefit Pension Plans (continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, 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 (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 7,530,039	$ 5,426,115	$ 3,663,651

Actuarial Assumptions - STRS

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

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and Prior
Inflation	2.50%	2.75%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, including inflation	7.45%, net of investment expenses	7.75%, net of investment expenses
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter
Cost-of-living adjustments (COLA)	0.00% effective July 1, 2017	2.00% simple for members retiring August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally

12. Defined Benefit Pension Plans (continued)

using mortality improvement scale MP-2016. Post-retirement disability mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally, using mortality improvement scale MP-2016.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return **
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
Total	100.00%	6.84%

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

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

12. **Defined Benefit Pension Plans** (continued)

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$ 33,802,324	$ 23,580,836	$ 14,970,762

13. **Other Post-Employment Benefits (OPEB) Plans**

Net OPEB Liability

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

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

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

13. Other Post-Employment Benefits (OPEB) Plans (continued)

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

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

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

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

13. **Other Post-Employment Benefits (OPEB) Plans** (continued)

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, the minimum compensation amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was $54,588.

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $70,946 for fiscal year 2018. Of this amount $57,819 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

13. Other Post-Employment Benefits (OPEB) Plans (continued)

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 District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportionate share of the net OPEB liability	$ 2,472,334	$ 3,872,991	$ 6,345,325
Proportion of the net OPEB liability	0.0921228%	0.0992659%	
Change in proportionate share	-0.0007384%	0.0002316%	
OPEB (negative) expense	$ 139,308	$ (1,180,058)	$ (1,040,750)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ -	$ 223,572	$ 223,572
Change in District's proportionate share and difference in employer contributions	-	10,615	10,615
District contributions subsequent to the measurement date	70,946	-	70,946
Total	$ 70,946	$ 234,187	$ 305,133
Deferred Inflows of Resources:			
Net difference between projected and actual earnings on OPEB plan investments	$ (6,528)	$ (165,540)	$ (172,068)
Change in assumptions	(234,611)	(311,982)	(546,593)
Change in District's proportionate share and difference in employer contributions	(22,679)	-	(22,679)
Total	$ (263,818)	$ (477,522)	$ (741,340)

13. Other Post-Employment Benefits (OPEB) Plans (continued)

$70,946 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (94,853)	$ (54,351)	$ (149,204)
2020	(94,853)	(54,351)	(149,204)
2021	(72,480)	(54,351)	(126,831)
2022	(1,632)	(54,351)	(55,983)
2023	-	(12,966)	(12,966)
2024	-	(12,965)	(12,965)
	$ (263,818)	$ (243,335)	$ (507,153)

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 consider the employee's entire career with the employer and take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

13. **Other Post-Employment Benefits (OPEB) Plans** (continued)

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

Investment rate of return	7.50% net of investment expense, including inflation
Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Municipal bond index rate:	
Prior measurement date	2.92%
Measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Prior measurement date	2.98%
Measurement date	3.63%
Medical Trend Assumption:	
Pre-Medicare	7.50% - 5.00%
Medicare	5.50% - 5.00%

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

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

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

13. **Other Post-Employment Benefits (OPEB) Plans** (continued)

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	$ 2,985,658	$ 2,472,334	$ 2,065,650

13. Other Post-Employment Benefits (OPEB) Plans (continued)

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

	1% Decrease (6.50% decreasing to 4.00%)	Current Trend Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
District's proportionate share of the net OPEB liability	$ 2,006,114	$ 2,472,334	$ 3,089,384

Actuarial Assumptions - STRS

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

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6.00% - 11.00% initially, 4.50% ultimate
Cost-of-living adjustments	0.00% effective July 1, 2017

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

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

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.

13. Other Post-Employment Benefits (OPEB) Plans (continued)

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return **
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
Total	100.00%	6.84%

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

Discount Rate – The discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make

13. **Other Post-Employment Benefits (OPEB) Plans** (continued)

all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58% as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26% which represents the long term expected rate of return of 7.75% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85% for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	$ 5,199,427	$ 3,872,991	$ 2,824,672

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
District's proportionate share of the net OPEB liability	$ 2,690,788	$ 3,872,991	$ 5,428,907

14. Contingencies

a. Grants

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

b. Full-Time Equivalency Review

The District's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment is updated by schools throughout the State, which can extend past the end of the fiscal year.

c. Litigation

The District is currently not party to any legal proceedings.

15. Statutory Reserve

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 or construction of capital improvements. Amounts not spent by the 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 this same purpose in future years. The following cash basis information describes the change in year-end set aside amounts. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-aside cash balance as of June 30, 2017	$ -
Current year set-aside requirements	446,621
Current year offset	(446,621)
Total	$ -
Set-aside cash balance carried forward to FY 2019	$ -

15. Statutory Reserve (continued)

Although the District had current year offsets which exceeded the current year set-aside requirement, the excess amount may not be used to reduce the set-aside requirements of future fiscal years. Therefore, the excess is not presented as being carried forward to the next fiscal year.

16. Commitments - Encumbrances

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

Fund Type	Year-End Encumbrances
General fund	$ 200,369
Permanent improvement fund	3,361,855
Other governmental funds	33,646
Total	$ 3,595,870

17. Jointly Governed Organizations

a. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of 126 public school districts in 18 counties in southwestern Ohio. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. No payments were made to SOEPC by the District during fiscal year 2018. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center, Suite 208, Vandalia, Ohio 45377.

17. Jointly Governed Organizations (continued)

b. Miami Valley Career Technology Center

The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. During fiscal year 2018, there were no payments to this organization. To obtain financial information, write to the Miami Valley Career Technology Center, Matthew Huffman, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

c. META Solutions

The District is a member of META Solutions which is an association of public entities throughout Ohio. Membership in META Solutions was due to the merger of the Metropolitan Dayton Educational Cooperative Association (MDECA) and META Solutions. META Solutions 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 while providing an open marketplace where choice is not limited by geography.

The governing board of META Solutions consists of an eight person Board of Directors, with each of the directors elected by a majority vote of all members within each county in META Solutions membership. During fiscal year 2018, the District paid $61,670 to META Solutions. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

18. Related Organization

The Tipp City Public Library (the Library) is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. During fiscal year 2018, the District paid no monies to this organization. Financial information can be obtained from the Tipp City Public Library, Fiscal Officer, 11 East Main Street, Tipp City, Ohio 45371.

19. Tax Abatements

During fiscal year 2018, the District's property tax revenues were reduced by $450,557 under eight Community Reinvestment Area (CRA) agreements which were entered into by the City of Tipp City.

Under Ohio Revised Code (ORC) Sections 3735 and 5709, municipalities may offer a property tax incentive to an individual or entity for improvements within certain targeted areas. The CRA program abates 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, which are administered as a reduction in the property tax bill. Commercial and industrial project abatements may not exceed 15 years for CRAs.

The District and the City of Tipp City, in accordance with ORC Section 5709.82, have entered into agreements for payments in lieu of taxes when new income tax collections exceed $1 million for a project granted a CRA abatement. Under these agreements, the City reimburses the District 50 percent of the municipal income tax revenue derived from the new investment in the community less an amount up to 35 percent of the capital infrastructure improvement costs paid by the City for the project. During fiscal year 2018, the District received $132,987 from the City under these revenue sharing agreements.

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Required Supplementary Information

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability
Last Five Measurement Years (1)

	2017	2016	2015	2014	2013
School Employees Retirement System of Ohio:					
District's Proportion of the Net Pension Liability	0.090817%	0.091584%	0.090727%	0.090485%	0.090485%
District's Proportionate Share of the Net Pension Liability	$ 5,426,115	$ 6,703,117	$ 5,176,971	$ 4,579,394	$ 5,380,853
District's Covered Payroll	$ 2,977,229	$ 2,844,264	$ 2,901,290	$ 2,655,866	$ 2,746,084
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	182.25%	235.67%	178.44%	172.43%	195.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio					
District's Proportion of the Net Pension Liability	0.099266%	0.099034%	0.098810%	0.100056%	0.100056%
District's Proportionate Share of the Net Pension Liability	$ 23,580,836	$ 33,149,792	$ 27,308,302	$ 24,337,155	$ 28,990,260
District's Covered Payroll	$ 10,913,071	$ 10,420,321	$ 10,309,207	$ 11,009,377	$ 10,509,254
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.08%	318.13%	264.89%	221.06%	275.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) - Information Prior to 2013 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

See accompanying notes to the required supplementary information.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of the District's Contributions - Pension Plans
Last Eight Fiscal Years (1)

	2018	2017	2016	2015	2014	2013	2012	2011
School Employees Retirement System of Ohio:								
Contractually Required Contribution	$ 441,679	$ 416,812	$ 398,197	$ 382,390	$ 368,103	$ 380,058	$ 356,462	$ 292,883
Contributions in Relation to the Contractually Required Contribution	(441,679)	(416,812)	(398,197)	(382,390)	(368,103)	(380,058)	(356,462)	(292,883)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	3,271,696	2,977,229	2,844,264	2,901,290	2,655,866	2,746,084	2,650,275	2,330,015
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
State Teachers Retirement System of Ohio								
Contractually Required Contribution	$ 1,610,718	$ 1,527,830	$ 1,458,845	$ 1,443,289	$ 1,431,219	$ 1,366,203	$ 1,485,298	$ 1,496,954
Contributions in Relation to the Contractually Required Contribution	(1,610,718)	(1,527,830)	(1,458,845)	(1,443,289)	(1,431,219)	(1,366,203)	(1,485,298)	(1,496,954)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	11,505,129	10,913,071	10,420,321	10,309,207	11,009,377	10,509,254	11,425,369	11,515,031
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

(1) - Information Prior to 2011 is not available. The District will continue to present informatior for years available until a full ten-year trend is presented

See accompanying notes to the required supplementary information

Schedule of the District's Proportionate Share of the Net OPEB Liability
Last Two Measurement Years (1)

	2017	2016
School Employees Retirement System of Ohio:		
District's Proportion of the Net OPEB Liability	0.092123%	0.092861%
District's Proportionate Share of the Net OPEB Liability	$ 2,472,334	$ 2,646,889
District's Covered Payroll	$ 2,977,229	$ 2,844,264
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.04%	93.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System of Ohio:		
District's Proportion of the Net OPEB Liability	0.099266%	0.099497%
District's Proportionate Share of the Net OPEB Liability	$ 3,872,991	$ 5,296,384
District's Covered Payroll	$ 10,913,071	$ 10,420,321
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.49%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

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

See accompanying notes to the required supplementary information.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of the District's Contributions - OPEB Plans
Last Three Fiscal Years (1)

	2018	2017	2016
School Employees Retirement System of Ohio:			
Contractually Required Contribution (2)	$ 70,946	$ 50,045	$ 47,204
Contributions in Relation to the Contractually Required Contribution	(70,946)	(50,045)	(47,204)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District Covered Payroll	3,271,696	2,977,229	2,844,264
Contributions as a Percentage of Covered Payroll	2.17%	1.68%	1.66%
State Teachers Retirement System of Ohio:			
Contractually Required Contribution	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
District Covered Payroll	11,505,129	10,913,071	10,420,321
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

(1) - Information Prior to 2016 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

(2) - Contributions includes annual surcharge amount.

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

1. Pension Plans

School Employees Retirement System of Ohio:

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

State Teachers Retirement System of Ohio:

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

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

2. Other Postemployment Benefit (OPEB) Plans

School Employees Retirement System of Ohio:

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

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

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

2. Other Postemployment Benefit (OPEB) Plans

State Teachers Retirement System of Ohio:

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

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 % to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program Title**	**Federal CFDA Number**	**Expenditures**	**Non-Cash Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	$166,855	$47,298
Total Child Nutrition Cluster		166,855	47,298
Total U.S. Department of Agriculture		**166,855**	**47,298**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	172,127	
Special Education Cluster:			
Special Education Grants to States	84.027	412,828	
Total Special Education Cluster		412,828	
Student Support and Academic Enrichment Program	84.424	2,120	
Supporting Effective Instruction State Grants	84.367	36,572	
Total U.S. Department of Education		**623,647**	
Total Expenditures of Federal Awards		**$790,502**	**$47,298**

See accompanying notes to the Schedule of Expenditures of Federal Awards

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Tipp City Exempted Village School District (the District) under programs of the federal government for the fiscal 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from fiscal year 2017 to fiscal year 2018 programs:

Program Title	CFDA Number	Amt. Transferred
Title I Grants to Local Educational Agencies	84.010	$ 2,012.38
Special Education Grants to States	84.027	$ 3,900.08

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

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

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 Tipp City Exempted Village School District, Miami 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 February 28, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2019

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

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Tipp City Exempted Village 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 the Tipp City Exempted Village School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards 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.

Opinion on the Major Federal Program

In our opinion, Tipp City Exempted Village 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 the 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2019

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI 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 19, 2019