

MIAMI TRACE LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2018

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
Miami Trace Local School District
3818 State Route 41, NW
Washington Court House, Ohio 43160

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

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

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

Dave Yost
Auditor of State

December 18, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Miami Trace Local School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2018, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and schedules of net pension and OPEB liabilities and pension and OPEB contributions on pages 4 through 15, and 65 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of Miami Trace Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Miami Trace Local School District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 10, 2018

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

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased \$15,270,982 which represents a 79% increase from 2017.
- General revenues accounted for \$31,060,160 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,437,752 or 19% of total revenues of \$38,497,912.
- The District had \$23,226,930 in expenses related to governmental activities; \$7,437,752 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$31,060,160 were also used to provide for these programs.

Overview of the Financial Statements

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide a more detailed look at financial activities.

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

Government-wide Financial Statements

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

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

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

In the Government-wide Financial Statements, the District consists of one activity:

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

Fund Financial Statements

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

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The District as a Whole

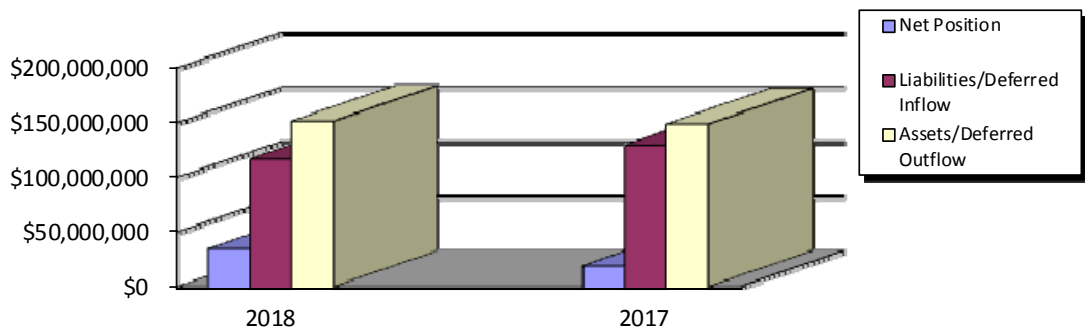
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2018 compared to fiscal year 2017:

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

**Table 1
Net Position**

	Governmental Activities	
	2018	2017-Restated
Assets:		
Current and Other Assets	\$65,763,979	\$84,759,717
Capital Assets	73,287,533	53,241,426
Total Assets	139,051,512	138,001,143
Deferred Outflows of Resources:		
Deferred Charge on Refunding	2,312,670	2,477,965
OPEB	385,634	73,186
Pension	9,375,584	8,100,630
Total Deferred Outflows of Resources	12,073,888	10,651,781
Liabilities:		
Other Liabilities	6,939,732	7,618,937
Long-Term Liabilities	96,116,133	110,110,136
Total Liabilities	103,055,865	117,729,073
Deferred Inflows of Resources:		
Property Taxes	11,206,995	11,153,616
Revenue in Lieu of Taxes	518,262	515,255
OPEB	816,284	0
Pension	1,002,032	0
Total Deferred Inflows of Resources	13,543,573	11,668,871
Net Position:		
Net Investment in Capital Assets	29,732,413	23,658,245
Restricted	12,476,182	18,721,501
Unrestricted (Deficit)	(7,682,633)	(23,124,766)
Total Net Position	\$34,525,962	\$19,254,980



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

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

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$28,090,399 to \$19,254,980.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,525,962.

At year-end, capital assets represented 53% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2018, were \$29,732,413. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$12,476,182, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets decreased mainly due to the decrease in cash and investments. Total assets for the District increased mainly due a large increase in capital assets for the year. Capital assets increased due to the continued improvements and additions being made to the high school project. Long-Term Liabilities decreased mainly due to the decrease in Net Pension Liability.

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

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

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues		
Charges for Services	\$4,270,954	\$3,998,101
Operating Grants and Contributions	3,166,798	3,337,952
General Revenues:		
Property Taxes	17,352,465	17,717,416
Grants and Entitlements	12,256,311	12,037,436
Other	1,451,384	1,204,936
Total Revenues	<u>38,497,912</u>	<u>38,295,841</u>
Program Expenses:		
Instruction	11,286,171	18,067,255
Support Services:		
Pupil and Instructional Staff	1,900,589	3,368,087
School Administrative, General Administration, Fiscal and Business	2,289,282	4,253,537
Operations and Maintenance	2,087,736	2,599,779
Pupil Transportation	2,138,856	2,535,868
Central	100,340	156,292
Operation of Non-Instructional Services	920,524	1,422,551
Extracurricular Activities	314,804	639,067
Interest and Fiscal Charges	2,188,628	2,451,514
Total Program Expenses	<u>23,226,930</u>	<u>35,493,950</u>
Change in Net Position	15,270,982	2,801,891
Net Position - Beginning of Year, Restated	<u>19,254,980</u>	<u>N/A</u>
Net Position - End of Year	<u>\$34,525,962</u>	<u>\$19,254,980</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$73,186 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$959,689. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

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

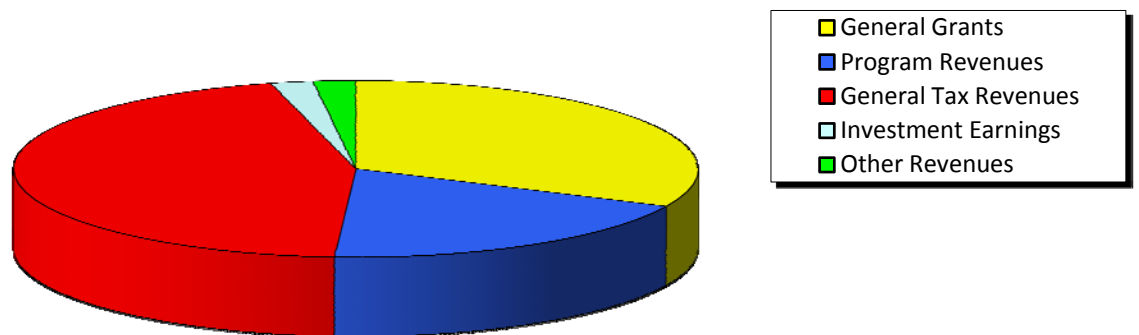
Total 2018 operating expenses under GASB 75	\$23,226,930
Negative OPEB expense under GASB 75	959,689
2018 contractually required contribution	96,381
Adjusted 2018 operating expenses	24,283,000
Total 2017 operating expenses under GASB 45	35,493,950
Change in operating expenses not related to OPEB	(\$11,210,950)

The District revenues are mainly from two sources. Property taxes levied for general, capital maintenance, debt service purposes, and capital projects purposes and grants and entitlements (not restricted) comprised 77% of the District’s revenues for governmental activities.

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

Thus, Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 45% of revenue for governmental activities for the District in fiscal year 2018.

	2018	Percentage
General Grants	\$12,256,311	32%
Program Revenues	7,437,752	19%
General Tax Revenues	17,352,465	45%
Investment Earnings	788,605	2%
Other Revenues	662,779	2%
	\$38,497,912	100%



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

Instruction comprises 48.6% of governmental program expenses. Support services expenses were 36.7% of governmental program expenses. All other expenses including interest and fiscal charges were 14.7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Overall revenues increased slightly due to an increase in program revenues the District received in 2017 when compared to 2018. Total expenses decreased in 2018 due to changes related to net pension liability and other post employment benefits liability.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$11,286,171	\$18,067,255	(\$6,090,848)	(\$12,904,161)
Support Services:				
Pupil and Instructional Staff	1,900,589	3,368,087	(1,595,634)	(3,052,702)
School Administrative, General				
Administration, Fiscal and Business	2,289,282	4,253,537	(2,095,176)	(4,073,388)
Operations and Maintenance	2,087,736	2,599,779	(2,012,792)	(2,523,858)
Pupil Transportation	2,138,856	2,535,868	(1,979,501)	(2,431,636)
Central	100,340	156,292	(94,940)	(150,892)
Operation of Non-Instructional Services	920,524	1,422,551	260,333	(253,184)
Extracurricular Activities	314,804	639,067	8,008	(316,562)
Interest and Fiscal Charges	2,188,628	2,451,514	(2,188,628)	(2,451,514)
Total Expenses	<u>\$23,226,930</u>	<u>\$35,493,950</u>	<u>(\$15,789,178)</u>	<u>(\$28,157,897)</u>

The District’s Funds

The District has three major governmental funds: the General Fund, Debt Service Fund, and the Classroom Facilities Fund. Assets of the major funds comprised \$54,052,793 (82%) of the total \$65,969,653 governmental fund assets.

General Fund: Fund balance at June 30, 2018 was \$22,414,686, an increase in fund balance of \$1,266,452 from 2017. The fund balance increased during the fiscal year due to less transfers out of the fund in 2018 compared to 2017.

Debt Service Fund: Fund balance at June 30, 2018 was \$5,179,022, an increase in fund balance of \$151,208 from 2017. The fund balance increased slightly due to an increase in other revenues in 2018 compared to 2017

**Miami Trace Local School District
Management's Discussion and Analysis
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(Unaudited)**

Classroom Facilities Fund: Fund balance at June 30, 2018 was \$9,334,464, a decrease in fund balance of \$11,590,026 from 2017. The fund balance decreased during the fiscal year due to an increase in expenditures on the project.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the District amended its General Fund budget when needed. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

For the General Fund, final budgeted revenue was \$30,523,071, compared to original budgeted estimates of \$29,602,750. Of the \$920,321 difference, most was changes to circumstances for tax, tuition and fees, and intergovernmental revenue. Actual budget basis revenue was \$30,408,545, compared to final budgeted revenue was \$30,523,071. Of the \$114,526 difference, most was due to changes in circumstances for taxes and intergovernmental revenue.

Actual budget basis expenditures were \$28,311,958, compared to final budgeted expenditures of \$28,956,874. Of the \$644,916 difference, most was due to changes in circumstances in instruction expenditures. Final budgeted expenditures were \$28,956,874, compared to original budgeted expenditures of \$26,722,175. Of the \$2,234,699 difference, most was due to changes in circumstances in instruction expenditures.

The General Fund's ending unobligated cash balance was \$13,190,748.

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$73,287,533 invested in land, construction in progress, land improvements, buildings and improvements and equipment. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

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

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

	Governmental Activities	
	2018	2017
Land	\$1,527,254	\$1,527,254
Construction in Progress	32,609,060	11,101,954
Land Improvements	611,006	664,840
Buildings and Improvements	36,198,215	38,072,574
Equipment	2,341,998	1,874,804
Total Net Capital Assets	<u>\$73,287,533</u>	<u>\$53,241,426</u>

The increase in capital assets from the prior year is due to the continuation of construction projects. The additions increased due to the new high school project additions.

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

Debt

At June 30, 2018, the District had \$56,533,574 in bonds payable, \$1,062,450 due within one year. Table 5 summarizes bonds outstanding at year end.

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Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table 5
Outstanding Debt, at Year End

	2018	2017
Governmental Activities:		
General Obligation Bonds Payable:		
2008 School Improvement Bonds:		
Capital Appreciation	\$20,627	\$45,766
Capital Appreciation Accreted Interest	115,850	203,754
2009 School Improvements Bonds:		
Capital Appreciation	15,697	34,999
Capital Appreciation Accreted Interest	130,087	220,091
2013 School Improvement Bonds:		
Current Interest - 1.00-4.00%	9,165,000	9,165,000
Capital Appreciation	10,191	18,648
Capital Appreciation Accreted Interest	105,335	110,812
Premium	522,151	554,786
2014 School Improvement Bonds:		
Current Interest - 1.00-3.00%	4,045,000	4,645,000
Premium	344,825	394,085
2015 Refunding Bonds:		
Current Interest - 1.00-4.00%	6,040,000	6,040,000
Capital Appreciation	36,254	49,994
Capital Appreciation Accreted Interest	250,437	164,344
Premium	847,304	891,899
2015 Refunding Bonds:		
Current Interest - 1.00-4.00%	1,260,000	1,260,000
Capital Appreciation	4,753	10,542
Capital Appreciation Accreted Interest	21,512	25,073
Premium	333,920	356,181
2015 Refunding Bonds:		
Current Interest - 1.00-4.00%	2,185,000	2,185,000
Capital Appreciation	15,732	24,994
Capital Appreciation Accreted Interest	71,150	59,422
Premium	325,885	349,162
2016 School Improvement Bonds	28,755,000	29,130,000
Premium	1,911,864	1,966,489
	<u>\$56,533,574</u>	<u>\$57,906,041</u>

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

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

For the Future

The District has committed itself to financial excellence. With careful planning and monitoring of the District's finances and state and local financial support, management is confident that the District can continue to provide a quality education for its students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer/CFO at Miami Trace Local School District, 3818 SR 41 NW, Washington C. H., Ohio 43160.

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Miami Trace Local School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$39,510,354
Restricted Cash and Investments	2,124,371
Equity in Pooled Cash and Investments with Fiscal Agent	4,604,670
Receivables (Net):	
Taxes	17,879,481
Accounts	79,946
Interest	6,908
Intergovernmental	1,509,566
Prepays	48,683
Nondepreciable Capital Assets	34,136,314
Depreciable Capital Assets, Net	<u>39,151,219</u>
Total Assets	<u>139,051,512</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding	2,312,670
Pension	9,375,584
OPEB	<u>385,634</u>
Total Deferred Outflows of Resources	<u>12,073,888</u>
Liabilities:	
Accounts Payable	437,761
Accrued Wages and Benefits	2,622,679
Contracts Payable	2,462,258
Retainage Payable	629,771
Accrued Interest Payable	158,363
Claims Payable	552,900
Unearned Revenue - Sponsorship	76,000
Long-Term Liabilities:	
Due Within One Year	1,423,880
Due In More Than One Year	
Net Pension Liability	31,138,677
Net OPEB Liability	7,348,700
Other Amounts	<u>56,204,876</u>
Total Liabilities	<u>103,055,865</u>
Deferred Inflows of Resources:	
Property Taxes	11,206,995
Revenue in Lieu of Taxes	518,262
Pension	1,002,032
OPEB	<u>816,284</u>
Total Deferred Inflows of Resources	<u>13,543,573</u>
Net Position:	
Net Investment in Capital Assets	29,732,413
Restricted for:	
Debt Service	5,073,946
Capital Projects	2,404,758
Classroom Facilities Maintenance	4,371,187
Federal Grants	358,001
Food Service	154,267
Other Purposes	114,023
Unrestricted (Deficit)	<u>(7,682,633)</u>
Total Net Position	<u>\$34,525,962</u>

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$7,089,937	\$2,794,341	\$654,258	(\$3,641,338)
Special	1,907,743	564,295	915,776	(427,672)
Vocational	118,069	0	11,131	(106,938)
Other	2,170,422	0	255,522	(1,914,900)
Support Services:				
Pupil	1,194,040	0	254,060	(939,980)
Instructional Staff	706,549	0	50,895	(655,654)
General Administration	6,229	0	0	(6,229)
School Administration	1,602,754	1,310	186,538	(1,414,906)
Fiscal	617,854	0	6,258	(611,596)
Business	62,445	0	0	(62,445)
Operations and Maintenance	2,087,736	6,296	68,648	(2,012,792)
Pupil Transportation	2,138,856	67,849	91,506	(1,979,501)
Central	100,340	0	5,400	(94,940)
Operation of Non-Instructional Services	920,524	522,371	658,486	260,333
Extracurricular Activities	314,804	314,492	8,320	8,008
Interest and Fiscal Charges	2,188,628	0	0	(2,188,628)
Totals	\$23,226,930	\$4,270,954	\$3,166,798	(15,789,178)

General Revenues:

Property Taxes Levied for:	
General Purposes	12,950,433
Capital Maintenance Purposes	592,244
Debt Service Purposes	3,265,830
Capital Projects Purposes	543,958
Grants and Entitlements, Not Restricted	12,256,311
Revenue in Lieu of Taxes	518,551
Investment Earnings	788,605
Other Revenues	144,228
Total General Revenues	31,060,160
Change in Net Position	15,270,982
Net Position - Beginning of Year, Restated	19,254,980
Net Position - End of Year	\$34,525,962

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Balance Sheet
Governmental Funds
June 30, 2018

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$14,606,353	\$3,982,013	\$10,819,915	\$10,102,073	\$39,510,354
Restricted Cash and Investments	1,494,600	0	505,667	124,104	2,124,371
Equity in Pooled Cash and Investments with Fiscal Agent	4,604,670	0	0	0	4,604,670
Receivables (Net):					
Taxes	13,312,702	3,416,849	0	1,149,930	17,879,481
Accounts	73,974	0	0	5,972	79,946
Interest	6,908	0	0	0	6,908
Intergovernmental	384,723	114,765	479,662	530,416	1,509,566
Interfund	205,674	0	0	0	205,674
Prepays	44,318	0	0	4,365	48,683
Total Assets	34,733,922	7,513,627	11,805,244	11,916,860	65,969,653
Liabilities:					
Accounts Payable	411,494	0	0	26,267	437,761
Accrued Wages and Benefits	2,371,881	0	0	250,798	2,622,679
Compensated Absences	46,327	0	0	0	46,327
Contracts Payable	0	0	1,485,451	976,807	2,462,258
Retainage Payable	0	0	505,667	124,104	629,771
Interfund Payable	0	0	0	205,674	205,674
Claims Payable	552,900	0	0	0	552,900
Unearned Revenue - Sponsorship	0	0	0	76,000	76,000
Total Liabilities	3,382,602	0	1,991,118	1,659,650	7,033,370
Deferred Inflows of Resources:					
Property Taxes	8,550,599	2,219,840	0	730,339	11,500,778
Grants	0	0	479,662	316,581	796,243
Revenue in Lieu of Taxes	384,723	114,765	0	18,774	518,262
Investment Earnings	1,312	0	0	0	1,312
Total Deferred Inflows of Resources	8,936,634	2,334,605	479,662	1,065,694	12,816,595
Fund Balances:					
Nonspendable	44,318	0	0	4,365	48,683
Restricted	0	5,179,022	9,334,464	7,156,870	21,670,356
Committed	1,494,600	0	0	2,032,846	3,527,446
Assigned	940,822	0	0	0	940,822
Unassigned	19,934,946	0	0	(2,565)	19,932,381
Total Fund Balances	22,414,686	5,179,022	9,334,464	9,191,516	46,119,688
Total Liabilities, Deferred Inflows and Fund Balances	\$34,733,922	\$7,513,627	\$11,805,244	\$11,916,860	\$65,969,653

See accompanying notes to the basic financial statements.

Miami Trace Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2018

Total Governmental Fund Balance \$46,119,688

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

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

Capital assets used in the operation of Governmental Funds 73,287,533

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

Delinquent Property Taxes	293,783	
Interest	1,312	
Intergovernmental	796,243	
		1,091,338

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

(158,363)

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

Compensated Absences (1,048,855)

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

2,312,670

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

Deferred outflows of resources related to pensions	9,375,584	
Deferred inflows of resources related to pensions	(1,002,032)	
Deferred outflows of resources related to OPEB	385,634	
Deferred inflows of resources related to OPEB	(816,284)	
		7,942,902

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

Net Pension Liability	(31,138,677)	
Net OPEB Liability	(7,348,700)	
Other Amounts	(56,533,574)	
		(95,020,951)

Net Position of Governmental Activities \$34,525,962

See accompanying notes to the basic financial statements.

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

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$12,982,573	\$3,272,455	\$0	\$1,137,866	\$17,392,894
Tuition and Fees	3,294,156	0	0	0	3,294,156
Investment Earnings	181,327	59,881	222,182	144,913	608,303
Intergovernmental	13,060,796	200,957	4,462,234	2,110,617	19,834,604
Extracurricular Activities	191,693	0	0	256,931	448,624
Charges for Services	1,578	0	0	526,596	528,174
Other Revenues	610,979	114,227	0	124,562	849,768
Total Revenues	30,323,102	3,647,520	4,684,416	4,301,485	42,956,523
Expenditures:					
Current:					
Instruction:					
Regular	11,314,754	0	0	413,676	11,728,430
Special	2,708,368	0	0	248,602	2,956,970
Vocational	14,239	0	0	0	14,239
Other	2,131,502	0	0	208,506	2,340,008
Support Services:					
Pupil	1,687,290	0	0	203,393	1,890,683
Instructional Staff	1,047,840	0	0	52,210	1,100,050
General Administration	26,898	0	0	0	26,898
School Administration	2,604,205	82,888	0	164,271	2,851,364
Fiscal	817,499	0	0	28,752	846,251
Business	156,784	0	0	0	156,784
Operations and Maintenance	2,251,630	0	0	173,972	2,425,602
Pupil Transportation	2,043,425	0	0	499,522	2,542,947
Central	94,940	0	0	5,400	100,340
Operation of Non-Instructional Services	130,429	0	0	1,218,802	1,349,231
Extracurricular Activities	346,578	0	0	282,741	629,319
Capital Outlay	23,171	0	16,274,442	6,268,409	22,566,022
Debt Service:					
Principal Retirement	0	1,056,689	0	0	1,056,689
Interest and Fiscal Charges	0	2,356,915	0	0	2,356,915
Total Expenditures	27,399,552	3,496,492	16,274,442	9,768,256	56,938,742
Excess of Revenues Over (Under) Expenditures	2,923,550	151,028	(11,590,026)	(5,466,771)	(13,982,219)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	27,402	0	0	25,700	53,102
Transfers In	0	0	0	1,684,500	1,684,500
Transfers (Out)	(1,684,500)	0	0	0	(1,684,500)
Total Other Financing Sources (Uses)	(1,657,098)	0	0	1,710,200	53,102
Net Change in Fund Balance	1,266,452	151,028	(11,590,026)	(3,756,571)	(13,929,117)
Fund Balance - Beginning of Year	21,148,234	5,027,994	20,924,490	12,948,087	60,048,805
Fund Balance - End of Year	\$22,414,686	\$5,179,022	\$9,334,464	\$9,191,516	\$46,119,688

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balance - Total Governmental Funds (\$13,929,117)

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

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

Capital assets used in governmental activities	22,454,523	
Depreciation Expense	<u>(2,328,486)</u>	20,126,037

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.

(79,930)

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

Contractually required district pension contributions for pension	2,215,555	
Pension Expense	9,183,102	
Contractually required district pension contributions for OPEB	96,381	
OPEB Expense	<u>959,689</u>	12,454,727

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

Delinquent Property Taxes	(40,429)	
Interest	(1,967)	
Intergovernmental	<u>(4,416,215)</u>	(4,458,611)

Repayment of bond principal and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

1,505,000

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

17,804

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	(67,100)	
Amortization of Bond Premium	226,653	
Amortization of Deferred Charge on Refunding	(165,295)	
Bond Accretion	<u>(359,186)</u>	(364,928)

Change in Net Position of Governmental Activities

\$15,270,982

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$455,177	\$153,087
Receivables (Net):		
Accounts	<u>0</u>	<u>1,015</u>
Total Assets	<u>455,177</u>	<u>154,102</u>
Liabilities:		
Accounts Payable	0	4,018
Other Liabilities	<u>0</u>	<u>150,084</u>
Total Liabilities	<u>0</u>	<u>\$154,102</u>
Net Position:		
Held in Trust	<u>455,177</u>	
Total Net Position	<u>\$455,177</u>	

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions:	
Donations	\$51,550
Investment Earnings	<u>6,376</u>
Total Additions	<u>57,926</u>
Deductions:	
Scholarships	<u>57,598</u>
Total Deductions	<u>57,598</u>
Change in Net Position	328
Net Position - Beginning of Year	<u>454,849</u>
Net Position - End of Year	<u><u>\$455,177</u></u>

See accompanying notes to the basic financial statements.

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

Note 1 - Description of the District

July 1, 1955 was a historical date in Fayette County. The Miami Trace School District (the "District") was officially formed when the eight school districts of Concord, Green, Jasper, Madison, Marion, Perry, Union and Wayne merged. On January 1, 1956, with the addition of the districts of Bloomingburg, Jefferson and Paint, Miami Trace Local and Fayette County School Districts became one district encompassing almost all of Fayette County exclusive of the Washington Court House City School District. On February 10, 1958, after receiving a petition signed by almost 95% of the voters of the New Holland School District, the State Board of Education transferred the New Holland District into Miami Trace completing the consolidation of the twelve local districts that now make up Miami Trace.

Miami Trace covers 401 square miles, much of which is reputed to be among the most productive farmland in the state. The District's geographical size ranks among the top five in Ohio. At the present time, approximately 2,573 students attend one elementary school, one middle school and one comprehensive high school.

The District operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's instructional and support facilities staffed by 143 non-certificated personnel and 187 certificated teaching and administrative personnel to provide services to students and other community members.

Reporting Entity

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

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

The District is associated with four jointly governed organizations. These organizations are discussed in Note 12 to the basic financial statements. These organizations are:

MVECA
South Central Ohio Insurance Consortium
Hopewell
Great Oaks Career Campuses

Note 2 - Summary of Significant Accounting Policies

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

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets, 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. Fiduciary Funds are not included in government-wide statements.

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

Fund Financial Statements

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

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

Fund Accounting

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

Governmental Funds

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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

Debt Service Fund – A fund provided for the retirement of serial bonds and short term notes and loans. All revenue derived from general or special levies, either within or exceeding the 10 mill limitation, which is levied for debt charges on bonds, notes or loans shall be paid in the future.

Classroom Facilities – A fund provided to account for monies received and expended in connection with contracts entered into by the District and the Ohio Facilities Construction Commission for the building and equipment of classroom facilities.

Fiduciary Funds

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the District, deferred inflows of resources include property taxes, grants, revenue in lieu of taxes, pension, OPEB, and investments earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance year 2019 operations. These amounts and revenue in lieu of taxes have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and investment earnings are reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. Deferred inflows related to pension and OPEB plans are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 9 and 10.

Expenses/Expenditures

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

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

Equity In Pooled Cash Investments

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

The District participates in a self funded health insurance program that pays employees health insurance claims on the District's behalf. The balance of the District's funds held by the claims administrator and the fiscal agent at June 30, 2018 is presented as "Equity in Pooled Cash and Investments with Fiscal Agent" on the balance sheet.

Monies for all funds were maintained in various bank accounts or were temporarily used to purchase short-term cash equivalent investments. Under existing Ohio statutes, earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, food service and those funds individually authorized by board resolution.

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

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

Following Ohio statutes, the Board has, by resolution specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2018 amounted to \$181,327 for the General Fund, \$59,881 for the Debt Service Fund, \$222,182 for the Classroom Facilities Fund, and \$144,913 for Other Governmental Funds.

Prepaid Items

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

Capital Assets

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

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

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-25 years
Buildings and Improvements	20-40 years
Equipment	3-15 years

Pensions/Other Postemployment Benefits (OPEB)

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

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

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

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

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	10-20 days for each service year depending on length of service	10-20 days for each service year depending on length of service
Maximum Accumulation for Retirement Payout	Not Eligible	3 years accrual	40 days
Vested	Not Eligible	Not Applicable	Not Applicable
Termination			

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	229 days	Per Contract Days	229 days
Termination Entitlement	Per Contract	Per Contract	Per Contract

Net Position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$12,476,182 in restricted net position, none was restricted by enabling legislation.

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities columns of the statement of net position.

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Fund Balance

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

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

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

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education. Formal action by the Board of Education is needed to commit or rescind resources.

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

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

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

During fiscal year 2014 the Board of Education passed a two-part fiscal policy that stated:

- Reservation of Fund Balance for Fiscal Stabilization at fiscal year-end pursuant to O.R.C. Section 5705.13 equal to 5% of prior fiscal year general fund revenues (excluding other financing sources). This reservation total includes the currently established Budget Reserve Fund 001/9991 and Budget Reserve – Health Insurance Fund 001/9108. Further, amendment of the reservation requires board action. Funds can only be spent on health insurance. The balance for these funds/cost centers for fiscal year 2018 is \$1,494,600.
- Fiscal policy to maintain a minimum carryover balance for the succeeding fiscal year an unencumbered and unassigned general fund balance equal to two months of prior fiscal year average monthly general fund expenditures (excluding other financing uses). Further, amendment of this policy requires board action.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Restricted Assets

Restricted assets in the General Fund represent equity in pooled cash and investments set aside to establish a health insurance budget stabilization for health and prescription drug benefits for the District. Restricted assets in the other funds are for retainage on construction projects.

Estimates

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

Note 3 – Equity in Pooled Cash and Investments

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, \$9,774,726 of the District's bank balance of \$11,557,432 was exposed to custodial credit risk because it was uninsured and collateralized.

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

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

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

Investments

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

	<u>Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Star Ohio	\$24,398,750	N/A	0.12
Negotiable CDs	5,741,105	Level 2	0.29
Money Market Funds	3,498	N/A	0.00
	<u>\$30,143,353</u>		
Portfolio Weighted Average Maturity			0.15

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

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. Investments in STAR Ohio were rated AAAM by Standard & Poor's. Negotiable CDs and Money Market Funds are not rated.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 80% in STAR Ohio, 19% in Negotiable CDs, and less than 1% in Money Market Funds.

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

Note 4 – Property Taxes

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

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Fayette County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2019 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2018. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The amount available as an advance at June 30, 2018, was \$4,762,103 in the General Fund, \$220,083 in Classroom Facilities, \$1,197,009 in Debt Service Fund, and \$199,508 in Other Governmental Funds.

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

	<u>2018 Amount</u>
Agricultural/Residential and Other Real Estate	\$514,485,110
Public Utility Personal	<u>90,270,700</u>
Total	<u><u>\$604,755,810</u></u>

Note 5 – Receivables

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

Note 6 – Capital Assets

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

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**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,527,254	\$0	\$0	\$1,527,254
Construction in Progress	11,101,954	21,507,106	0	32,609,060
Capital Assets, being depreciated:				
Land Improvements	1,443,860	15,820	0	1,459,680
Buildings and Improvements	55,768,684	0	0	55,768,684
Equipment	5,509,125	931,597	482,577	5,958,145
Totals at Historical Cost	<u>75,350,877</u>	<u>22,454,523</u>	<u>482,577</u>	<u>97,322,823</u>
Less Accumulated Depreciation:				
Land Improvements	779,020	69,654	0	848,674
Buildings and Improvements	17,696,110	1,874,359	0	19,570,469
Equipment	3,634,321	384,473	402,647	3,616,147
Total Accumulated Depreciation	<u>22,109,451</u>	<u>2,328,486</u>	<u>402,647</u>	<u>24,035,290</u>
Governmental Activities Capital Assets, Net	<u>\$53,241,426</u>	<u>\$20,126,037</u>	<u>\$79,930</u>	<u>\$73,287,533</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,099,653
Special	192,971
Vocational	103,830
Support Services:	
Pupil	131,512
Instructional Staff	70,927
School Administration	219,596
Fiscal	8,625
Business	2,249
Operations and Maintenance	209,923
Pupil Transportation	278,186
Operation of Non-Instructional Services	10,376
Extracurricular Activities	638
Total Depreciation Expense	<u>\$2,328,486</u>

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Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Note 7 - Long-Term Liabilities

	Maturity Dates	Restated Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds Payable:						
2008 School Improvement Bonds:						
Capital Appreciation		\$45,766	\$0	\$25,139	\$20,627	\$20,627
Capital Appreciation Accreted Interest		203,754	36,957	124,861	115,850	0
2009 School Improvements Bonds:						
Capital Appreciation		34,999	0	19,302	15,697	15,697
Capital Appreciation Accreted Interest		220,091	50,694	140,698	130,087	0
2013 School Improvement Bonds:						
Current Interest - 1.00-4.00%	12/01/2033	9,165,000	0	0	9,165,000	0
Capital Appreciation		18,648	0	8,457	10,191	5,180
Capital Appreciation Accreted Interest		110,812	61,066	66,543	105,335	0
Premium		554,786	0	32,635	522,151	0
2014 School Improvement Bonds:						
Current Interest - 1.00-3.00%	12/01/2024	4,645,000	0	600,000	4,045,000	625,000
Premium		394,085	0	49,260	344,825	0
2015 Refunding Bonds:						
Current Interest - 1.00-4.00%	12/01/2036	6,040,000	0	0	6,040,000	0
Capital Appreciation		49,994	0	13,740	36,254	7,449
Capital Appreciation Accreted Interest		164,344	152,353	66,260	250,437	0
Premium		891,899	0	44,595	847,304	0
2015 Refunding Bonds:						
Current Interest - 1.00-4.00%	12/01/2032	1,260,000	0	0	1,260,000	0
Capital Appreciation		10,542	0	5,789	4,753	2,832
Capital Appreciation Accreted Interest		25,073	15,650	19,211	21,512	0
Premium		356,181	0	22,261	333,920	0
2015 Refunding Bonds:						
Current Interest - 1.00-4.00%	12/01/2031	2,185,000	0	0	2,185,000	0
Capital Appreciation		24,994	0	9,262	15,732	5,665
Capital Appreciation Accreted Interest		59,422	42,466	30,738	71,150	0
Premium		349,162	0	23,277	325,885	0
2016 School Improvement Bonds:						
Current Interest - 2.00-5.00%	12/01/2052	29,130,000	0	375,000	28,755,000	380,000
Premium		1,966,489	0	54,625	1,911,864	0
Subtotal Bonds		57,906,041	359,186	1,731,653	56,533,574	1,062,450
Compensated Absences		1,031,077	417,827	353,722	1,095,182	361,430
Subtotal Bonds and Other Amounts		58,937,118	777,013	2,085,375	57,628,756	1,423,880
Net Pension Liability:						
STRS		33,091,626	0	9,568,367	23,523,259	0
SERS		9,172,787	0	1,557,369	7,615,418	0
Total Net Pension Liability		42,264,413	0	11,125,736	31,138,677	0
Net OPEB Liability:						
STRS		5,287,091	0	1,423,557	3,863,534	0
SERS		3,621,514	0	136,348	3,485,166	0
Total OPEB Liability		8,908,605	0	1,559,905	7,348,700	0
Total Long-Term Obligations		\$110,110,136	\$777,013	\$14,771,016	\$96,116,133	\$1,423,880

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Bonds were issued for the purpose of paying the District’s local share of the building construction and improvements under the State of Ohio Classroom Facilities Assistance Program.

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

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

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$1,005,000	\$1,620,463	\$2,625,463	\$57,450	\$472,548	\$529,998
2020	1,035,000	1,598,520	2,633,520	33,543	546,456	579,999
2021	1,260,000	1,573,114	2,833,114	10,128	359,873	370,001
2022	1,685,000	1,537,251	3,222,251	0	0	0
2023	1,740,000	1,490,863	3,230,863	0	0	0
2024-2028	9,310,000	6,760,123	16,070,123	1,838	503,162	505,000
2029-2033	10,820,000	5,619,893	16,439,893	295	774,707	775,002
2034-2038	7,080,000	4,407,475	11,487,475	0	0	0
2039-2043	4,670,000	3,269,244	7,939,244	0	0	0
2044-2048	5,725,000	2,164,250	7,889,250	0	0	0
2049-2053	7,120,000	741,725	7,861,725	0	0	0
Total	\$51,450,000	\$30,782,921	\$82,232,921	\$103,254	\$2,656,746	\$2,760,000

Note 8 - Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District’s financial statements. On June 30, 2018, \$6,599,000 of bonds outstanding are considered defeased.

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The contractually required contribution to SERS was \$593,503 for fiscal year 2018. Of this amount \$77,861 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

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

The contractually required contribution to STRS was \$1,622,052 for fiscal year 2018. Of this amount \$276,064 is reported as accrued wages and benefits.

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

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

Miami Trace Local School District
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$7,615,418	\$23,523,259	\$31,138,677
Proportion of the Net Pension Liability:			
Current Measurement Date	0.12745940%	0.09902356%	
Prior Measurement Date	<u>0.12532710%</u>	<u>0.09886061%</u>	
Change in Proportionate Share	0.00213230%	0.00016295%	
Pension Expense	(\$133,582)	(\$9,049,520)	(\$9,183,102)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$327,741	\$908,358	\$1,236,099
Changes of assumptions	393,799	5,144,795	5,538,594
Changes in employer proportionate share of net pension liability	282,621	102,715	385,336
Contributions subsequent to the measurement date	<u>593,503</u>	<u>1,622,052</u>	<u>2,215,555</u>
Total Deferred Outflows of Resources	<u>\$1,597,664</u>	<u>\$7,777,920</u>	<u>\$9,375,584</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$189,588	\$189,588
Net difference between projected and actual earnings on pension plan investments	<u>36,149</u>	<u>776,295</u>	<u>812,444</u>
Total Deferred Inflows of Resources	<u>\$36,149</u>	<u>\$965,883</u>	<u>\$1,002,032</u>

\$2,215,555 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$458,823	\$1,093,348	\$1,552,171
2020	545,785	2,163,698	2,709,483
2021	140,935	1,522,000	1,662,935
2022	<u>(177,531)</u>	<u>410,939</u>	<u>233,408</u>
Total	<u>\$968,012</u>	<u>\$5,189,985</u>	<u>\$6,157,997</u>

Miami Trace Local School District
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Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$10,568,221	\$7,615,418	\$5,141,843

Changes in Benefit Terms

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

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Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$33,719,791	\$23,523,259	\$14,934,209

Changes in Assumptions

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

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decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms

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

Note 10 – Defined Benefit Other Postemployment Benefits (OPEB) Plans

Net Other Postemployment Benefits (OPEB) Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was \$74,400.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$96,381 for fiscal year 2018. Of this amount \$74,400 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of

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a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$3,485,166	\$3,863,534	\$7,348,700
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.12986240%	0.09902356%	
Prior Measurement Date	0.12705419%	0.09886061%	
Change in Proportionate Share	<u>0.00280821%</u>	<u>0.00016295%</u>	
OPEB Expense	\$218,009	(\$1,177,698)	(\$959,689)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$223,027	\$223,027
Changes in employer proportionate share of net pension liability	58,756	7,470	66,226
Contributions subsequent to the measurement date	<u>96,381</u>	<u>0</u>	<u>96,381</u>
Total Deferred Outflows of Resources	<u>\$155,137</u>	<u>\$230,497</u>	<u>\$385,634</u>
Deferred Inflows of Resources			
Changes of assumptions	\$330,724	\$311,220	\$641,944
Net difference between projected and actual earnings on OPEB plan investments	<u>9,204</u>	<u>165,136</u>	<u>174,340</u>
Total Deferred Inflows of Resources	<u>\$339,928</u>	<u>\$476,356</u>	<u>\$816,284</u>

\$96,381 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal Year			
Ending June 30:	SERS	STRS	Total
2019	(\$100,840)	(\$54,738)	(\$155,578)
2020	(100,840)	(54,738)	(155,578)
2021	(77,191)	(54,738)	(131,929)
2022	(2,301)	(54,738)	(57,039)
2023	0	(13,453)	(13,453)
Thereafter	0	(13,454)	(13,454)
Total	<u>(\$281,172)</u>	<u>(\$245,859)</u>	<u>(\$527,031)</u>

Actuarial Assumptions - SERS

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

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

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

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

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**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

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

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

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

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

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

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**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

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

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63%. 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 the System 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 the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56%, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

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

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	\$4,208,781	\$3,485,166	\$2,911,877

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	\$2,827,951	\$3,485,166	\$4,355,001

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56%
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%

Actuarial Assumptions - STRS

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

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

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% 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.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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

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

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

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

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

Discount Rate

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

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

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

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

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	\$5,186,732	\$3,863,534	\$2,817,775
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$2,684,218	\$3,863,534	\$5,415,652

Changes in Assumptions – STRS

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

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

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

Note 11 - Contingent Liabilities

Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Grants

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

Litigation

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

Note 12 - Jointly Governed Organizations

The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium A-site used by the District. MVECA is an association of 25 public school districts in a geographic area determined by the Ohio Department of Education. MVECA 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. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under the Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees. Financial information can be obtained from the offices of the Consortium's fiscal agent, Liberty-Union Thurston Local School District, 621 Washington Street, Baltimore, Ohio 43105.

Miami Trace Local School District
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The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Eighteen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board. The governing board is made up of retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and federal and state grants. To obtain financial information write to the Center's fiscal agent, Southern Ohio Educational Service Center, 3321 Airborne Rd., Wilmington, OH 45177.

Great Oaks Career Campuses (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board. Each district must appoint a representative to the Great Oaks board; the representative does not have to be a school board member, but must meet certain criteria per law. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the District. The District has neither ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Note 13 - Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the precast of various types of liability, inland marine, and property insurance as a member of a school district risk-sharing pool (SORSA).

General liability insurance is maintained in the amount of \$15,000,000 for each occurrence and \$17,000,000 in the general aggregate. Other liability insurance includes \$15,000,000 for fleet liability, and \$1,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$88,101,885.

The District pays all elected and appointed officials' bonds by statute.

As a benefit for employees of the Miami Trace Local School District, the District makes available health, dental, and term life insurance for all qualifying employees who desire coverage. The District pays for a portion of the health and dental insurances. The District pays 100% of the term life insurance. The District pays 100% of single dental. The employee is responsible for the difference between a single and family plan. The District pays 100% of both single and family hospitalization for employees hired before September 1992 and 85% for employees hired after September 1992. The balance remaining on all employees' benefits are deducted through payroll.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

The District provides a limited medical, surgical, prescription drug, and life insurance program for its employees through a self insured program. Claims are paid by the District to the South Central Ohio Insurance Consortium (SCOIC). SCOIC contracts with Employee Benefits Management Corporation (EBMC) to service the claims up to \$500,000 per individual. The District has a stop loss coverage insurance policy through Jefferson Health Plan (OME-RESA) which covered individual claims in excess of \$500,000 per employee per year for medical claims. The District had shared risk pool coverage with Jefferson Health Plan (OME-RESA) which covered individual claims in excess of \$75,000 up to \$500,000 per employee per year for medical claims.

The claims liability of \$552,900 reported in the general fund at June 30, 2018 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amounts of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Balance
2017	\$446,600	\$4,665,123	(\$4,495,923)	\$615,800
2018	615,800	3,382,609	(4,551,309)	552,900

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.

Note 14 – Accountability

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

Fund	Deficit
Other Governmental Funds:	
Improving Teacher Quality	\$2,352

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

Note 15 - Set-Asides

The District is required by State law to set aside certain general fund revenue amounts, as defined into various reserves. During the fiscal year ended June 30, 2018, the reserve activity (cash-basis) was as follows:

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**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

	Capital Maintenance Reserve
Balance as of June 30, 2017	\$0
Required Set-Aside	463,034
Qualifying Expenditures	(147,460)
Current Year Offsets	(3,154,335)
Balance as of June 30, 2018	<u>(<u>\$2,838,761</u>)</u>

Expenditures for capital activity during the year totaled \$147,460, which exceeded the amount required for set-aside. Although the District may have had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years.

Note 16 - Interfund Transactions

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

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$205,674	\$0	\$0	\$1,684,500
Other Governmental Funds	<u>0</u>	<u>205,674</u>	<u>1,684,500</u>	<u>0</u>
Total All Funds	<u>\$205,674</u>	<u>\$205,674</u>	<u>\$1,684,500</u>	<u>\$1,684,500</u>

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

Note 17 – Fund Balances

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

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Miami Trace Local School District
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Fund Balances	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total
Nonspendable:					
Prepays	\$44,318	\$0	\$0	\$4,365	\$48,683
Total Nonspendable	44,318	0	0	4,365	48,683
Restricted for:					
Local Grants	0	0	0	7,475	7,475
Classroom Facilities Maintenance	0	0	0	4,362,030	4,362,030
Student Activity	0	0	0	97,647	97,647
Miscellaneous State Grants	0	0	0	50	50
Special Education	0	0	0	32,024	32,024
Title I	0	0	0	1,053	1,053
IDEA Preschool Grant	0	0	0	901	901
Miscellaneous Federal Grants	0	0	0	23,920	23,920
Food Service	0	0	0	160,658	160,658
Debt Service Payments	0	5,179,022	0	0	5,179,022
Permanent Improvements	0	0	0	2,471,112	2,471,112
Classroom Facilities	0	0	9,334,464	0	9,334,464
Total Restricted	0	5,179,022	9,334,464	7,156,870	21,670,356
Committed to:					
Capital Projects High School	0	0	0	1,812,489	1,812,489
Health Insurance Budget Stabilization	1,494,600	0	0	0	1,494,600
Permanent Improvements	0	0	0	220,357	220,357
Total Committed	1,494,600	0	0	2,032,846	3,527,446
Assigned to:					
Encumbrances	870,091	0	0	0	870,091
Public School	70,731	0	0	0	70,731
Total Assigned	940,822	0	0	0	940,822
Unassigned	19,934,946	0	0	(2,565)	19,932,381
Total Fund Balance	<u>\$22,414,686</u>	<u>\$5,179,022</u>	<u>\$9,334,464</u>	<u>\$9,191,516</u>	<u>\$46,119,688</u>

Note 18 – Construction and Other Commitments

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:

<u>Description</u>	<u>Remaining Commitment</u>
General	\$869,594
Classroom Facilities	9,915,444
Other Governmental	3,414,446

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Note 19 – Tax Abatements Entered Into By Other Governments

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, Fayette County has entered into such an agreement. Under this agreement the District’s property taxes were reduced by approximately \$23,418. The District is not receiving any amounts from this other government in association with the forgone property tax revenue.

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

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

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

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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

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

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

Net position June 30, 2017	\$28,090,399
Adjustments:	
Net OPEB Liability	(8,908,605)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>73,186</u>
Restated Net Position June 30, 2017	<u><u>\$19,254,980</u></u>

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

Note 21 – Subsequent Event

Tanger Outlet Mall filed a complaint with the Fayette County Board of Revisions requesting a reduction in its 2017 and 2018 property valuations. In October of 2018, the board of revision agreed to reduce the TY2017 market value from \$114,500,000 to \$92,650,000. Per the Fayette County Auditor, the District's 2019 first half real estate tax payment for 2018 will be reduced by \$248,078.77 to refund taxes previously paid for TY2017. The Board of Revision did not make any decisions regarding a reduction for the TY2018 value beyond the revised TY2017 valuation. Since the decision by the Board of Revision, Tanger Outlet Mall has filed an appeal with the Ohio Board of Tax Appeals regarding its property valuation.

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

In addition to the Tanger valuation change, the District is expecting changes to all property categories due to the 2018 reappraisal in Fayette County which will impact future tax revenue. Specifically, the Ohio Department of Taxation released the 2018 public utility property tax preliminary assessments which included an increase of over \$83 million in assessed valuation for the Rockies Express Pipeline. Over \$82 million of this value is due to the improvements for a new compressor station. In addition, a material reduction in assessed valuation is expected for agricultural property. The official 2018 tax rates and assessed property valuations have not yet been released.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.09902356%	0.09886061%	0.09860816%	0.09842014%	0.09842014%
District's Proportionate Share of the Net Pension Liability	\$23,523,259	\$33,091,626	\$27,252,411	\$23,939,184	\$28,439,405
District's Covered Payroll	\$10,962,429	\$10,534,029	\$10,368,257	\$10,829,346	\$10,977,415
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	214.58%	314.14%	262.84%	221.06%	259.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.12745940%	0.12532710%	0.12088550%	0.11665900%	0.11665900%
District's Proportionate Share of the Net Pension Liability	\$7,615,418	\$9,172,787	\$6,897,844	\$5,904,046	\$6,939,417
District's Covered Payroll	\$4,166,936	\$3,817,029	\$3,967,466	\$3,424,127	\$3,392,775
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	182.76%	240.31%	173.86%	172.42%	204.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$1,622,052	\$1,534,740	\$1,474,764	\$1,451,556	\$1,407,815	\$1,427,064	\$1,412,808	\$1,404,228	\$1,484,316	\$1,564,272
Contributions in Relation to the Contractually Required Contribution	(1,622,052)	(1,534,740)	(1,474,764)	(1,451,556)	(1,407,815)	(1,427,064)	(1,412,808)	(1,404,228)	(1,484,316)	(1,564,272)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered Payroll	\$11,586,086	\$10,962,429	\$10,534,029	\$10,368,257	\$10,829,346	\$10,977,415	\$10,867,754	\$10,801,754	\$11,417,815	\$12,032,862
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$593,503	\$583,371	\$534,384	\$522,912	\$474,584	\$469,560	\$485,088	\$484,992	\$457,332	\$469,680
Contributions in Relation to the Contractually Required Contribution	(593,503)	(583,371)	(534,384)	(522,912)	(474,584)	(469,560)	(485,088)	(484,992)	(457,332)	(469,680)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered Payroll	\$4,396,319	\$4,166,936	\$3,817,029	\$3,967,466	\$3,424,127	\$3,392,775	\$3,606,602	\$3,858,329	\$3,377,637	\$4,773,171
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information.

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.09902356%	0.09886061%
District's Proportionate Share of the Net OPEB Liability	\$3,863,534	\$5,287,091
District's Covered Payroll	\$10,962,429	\$10,534,029
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.24%	50.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.12986240%	0.12705419%
District's Proportionate Share of the Net OPEB Liability	\$3,485,166	\$3,621,514
District's Covered Payroll	\$4,166,936	\$3,817,029
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.64%	94.88%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	0	0	0
Contribution Deficiency (Excess)	\$0	\$0	\$0
District Covered Payroll	\$11,586,086	\$10,962,429	\$10,534,029
Contributions to OPEB as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016
Contractually Required Contribution to OPEB (2)	\$96,381	\$73,186	\$64,498
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(96,381)</u>	<u>(73,186)</u>	<u>(64,498)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered Payroll	\$4,396,319	\$4,166,936	\$3,817,029
Contributions to OPEB as a Percentage of Covered Payroll	2.19%	1.76%	1.69%

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

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$12,920,711	\$13,322,403	\$13,272,416	(\$49,987)
Tuition and Fees	3,210,175	3,309,976	3,297,557	(12,419)
Investment Earnings	182,427	188,099	187,393	(706)
Intergovernmental	12,715,532	13,110,845	13,061,652	(49,193)
Extracurricular Activities	5,559	5,732	5,710	(22)
Charges for Services and Sales	1,536	1,584	1,578	(6)
Other Revenues	566,810	584,432	582,239	(2,193)
Total Revenues	29,602,750	30,523,071	30,408,545	(114,526)
Expenditures:				
Current:				
Instruction:				
Regular	11,244,653	12,185,011	11,913,631	271,380
Special	2,661,082	2,883,621	2,819,398	64,223
Vocational	13,439	14,563	14,239	324
Other	2,016,880	2,185,546	2,136,870	48,676
Support Services:				
Pupil	1,538,226	1,666,864	1,629,740	37,124
Instructional Staff	1,005,232	1,089,296	1,065,036	24,260
General Administration	25,388	27,511	26,898	613
School Administration	2,439,593	2,643,609	2,584,732	58,877
Fiscal	778,977	844,121	825,321	18,800
Business	146,200	158,426	154,898	3,528
Operations and Maintenance	2,357,838	2,555,017	2,498,113	56,904
Pupil Transportation	2,009,118	2,177,134	2,128,646	48,488
Central	99,146	107,438	105,045	2,393
Extracurricular Activities	327,793	355,205	347,294	7,911
Capital Outlay	58,610	63,512	62,097	1,415
Total Expenditures	26,722,175	28,956,874	28,311,958	644,916
Excess of Revenues Over Expenditures	2,880,575	1,566,197	2,096,587	530,390
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	26,676	27,505	27,402	(103)
Advances In	189,551	195,444	194,711	(733)
Transfers In	96,102	99,090	98,718	(372)
Transfers (Out)	(2,085,078)	(2,259,447)	(2,209,126)	50,321
Total Other Financing Sources (Uses)	(1,772,749)	(1,937,408)	(1,888,295)	49,113
Net Change in Fund Balance	1,107,826	(371,211)	208,292	579,503
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	12,982,456	12,982,456	12,982,456	0
Fund Balance - End of Year	\$14,090,282	\$12,611,245	\$13,190,748	\$579,503

See accompanying notes to the Required Supplementary Information.

Miami Trace Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Note 1 – Budgetary Process

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

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

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

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

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

Miami Trace Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

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

Net Change in Fund Balance	
	General
GAAP Basis	\$1,266,452
Revenue Accruals	85,443
Expenditure Accruals	81,086
Transfers In	98,718
Transfers (Out)	(524,626)
Advances In	194,711
Encumbrances	(869,594)
Funds Budgeted Elsewhere	(123,898)
Budget Basis	\$208,292

Note 2 - SERS Change in Assumptions-Net Pension Liability

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

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

Changes in Assumptions

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

Changes in Benefit Terms

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

Note 4 - SERS Change in Assumptions-Net OPEB Liability

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Miami Trace Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Note 5 - STRS Change in Assumptions-Net OPEB Liability

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

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

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

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Child Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	182OH062N1099	10.555	\$ 65,952	65,952
<i>Cash Assistance:</i>				
School Breakfast Program	182OH062N1099	10.553	137,719	137,719
National School Lunch Program	182OH062N1099	10.555	450,966	450,966
<i>Cash Assistance Subtotal</i>			<u>588,685</u>	<u>588,685</u>
Nutrition Cluster Total			<u>654,637</u>	<u>654,637</u>
Total U.S. Department of Agriculture			<u>654,637</u>	<u>654,637</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies (2017)	S010A150035	84.010	65,376	90,740
Title I Grants to Local Educational Agencies (2018)	S010A180035	84.010	459,765	455,101
			<u>525,141</u>	<u>545,841</u>
Special Education Cluster:				
Special Education - Grants to States (2017)	H027A150111	84.027	69,387	69,874
Special Education - Grants to States (2018)	H027A180111	84.027	508,007	517,458
Special Education - Preschool Grants (2017)	H173A150119	84.173	878	1,359
Special Education - Preschool Grants (2018)	H173A180119	84.173	8,644	8,653
Special Education Cluster Total			<u>586,916</u>	<u>597,344</u>
Rural Education	2017	84.358	15,341	15,341
Rural Education	S358B180035	84.358	16,607	17,992
			<u>31,948</u>	<u>33,333</u>
Supporting Effective Instruction State Grants (2017)	S367A150034	84.367	12,086	14,466
Supporting Effective Instruction State Grants (2018)	S367A180034	84.367	97,682	96,990
			<u>109,768</u>	<u>111,456</u>
Total U.S. Department of Education			<u>1,253,773</u>	<u>1,287,974</u>
Total Federal Awards			\$ <u>1,908,410</u>	<u>1,942,611</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - FOOD DISTRIBUTION

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

NOTE D - NUTRITION CLUSTER

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Miami Trace Local School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District ("School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 10, 2018, wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 10, 2018

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

To the Board of Education
Miami Trace Local School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 10, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements Audited were prepared in accordance with GAAP:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

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

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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Dave Yost • Auditor of State

MIAMI TRACE LOCAL SCHOOL DISTRICT

FAYETTE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 27, 2018