



OHIO AUDITOR OF STATE
KEITH FABER



**MOUNT HEALTH CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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**MOUNT HEALTH CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Mt. Healthy City School District
Hamilton County
7615 Harrison Avenue
Mt. Healthy, OH 45231

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 18 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

February 1, 2019

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

The discussion and analysis of Mt. Healthy City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to 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 \$16,664,960 which represents a 97% increase from 2017.
- General revenues accounted for \$42,141,644 in revenue or 79% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,890,682 or 21% of total revenues of \$53,032,326.
- The District had \$36,367,366 in expenses related to governmental activities; \$10,890,682 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$42,141,644 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows of resources, and 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.

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

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

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities. The District's programs and services include 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 fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. 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 fund.

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 benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

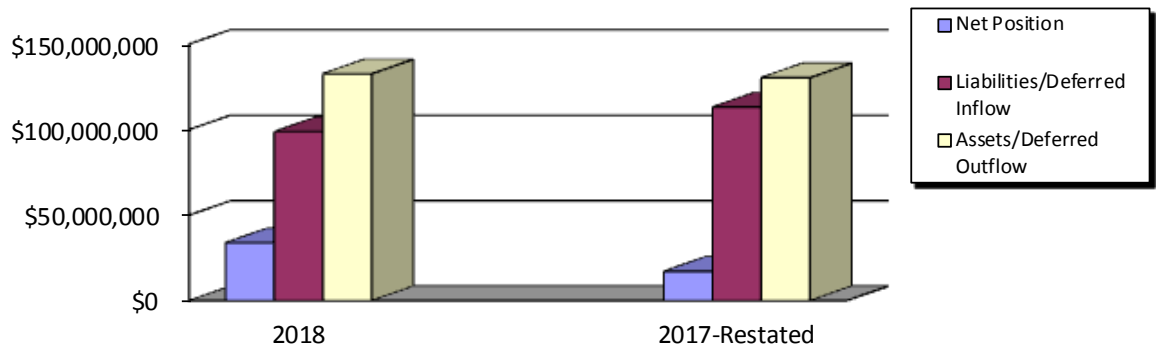
The District as a Whole

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

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

	Governmental Activities	
	2018	2017 - Restated
Assets:		
Current and Other Assets	\$42,548,382	\$38,932,692
Capital Assets	73,840,027	77,321,236
Total Assets	<u>116,388,409</u>	<u>116,253,928</u>
Deferred Outflows of Resources:		
Deferred Charge on Refunding	1,593,270	1,684,314
OPEB	624,585	84,116
Pension	14,042,487	12,339,138
Total Deferred Outflows of Resources	<u>16,260,342</u>	<u>14,107,568</u>
Liabilities:		
Other Liabilities	4,336,461	4,009,186
Long-Term Liabilities	81,321,802	101,506,724
Total Liabilities	<u>85,658,263</u>	<u>105,515,910</u>
Deferred Inflows of Resources:		
Property Taxes	9,058,909	7,587,043
OPEB	1,335,814	0
Pension	2,755,366	83,104
Total Deferred Inflows of Resources	<u>13,150,089</u>	<u>7,670,147</u>
Net Position:		
Net Investment in Capital Assets	47,225,710	49,737,958
Restricted	4,621,399	4,026,030
Unrestricted	(18,006,710)	(36,588,549)
Total Net Position	<u>\$33,840,399</u>	<u>\$17,175,439</u>



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

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of these financial statements 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.

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$29,039,050 to \$17,175,439.

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 \$33,840,399.

At year-end, capital assets represented 63% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2018, was \$47,225,710. 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, \$4,621,399 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.

Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. 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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Mt. Healthy City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues		
Charges for Services and Sales	\$1,068,408	\$1,048,461
Operating Grants, Contributions	9,822,274	9,507,469
General Revenues:		
Property Taxes	13,569,399	13,835,102
Grants and Entitlements	28,055,462	26,810,493
Other	516,783	338,215
Total Revenues	<u>53,032,326</u>	<u>51,539,740</u>
Program Expenses:		
Instruction	18,241,393	30,046,804
Support Services:		
Pupil and Instructional Staff	5,399,029	5,329,919
School Administration, General		
Administration, Fiscal and Business	2,174,600	4,526,600
Operations and Maintenance	3,351,853	4,096,268
Pupil Transportation	3,623,483	4,065,172
Central	246,955	239,179
Operation of Non-Instructional Services	1,721,493	2,306,850
Extracurricular Activities	450,603	1,029,671
Interest and Fiscal Charges	1,157,957	1,189,198
Total Program Expenses	<u>36,367,366</u>	<u>52,829,661</u>
Change in Net Position	16,664,960	(1,289,921)
Net Position Beginning of Year - Restated	<u>17,175,439</u>	<u>N/A</u>
Net Position End of Year	<u>\$33,840,399</u>	<u>\$17,175,439</u>

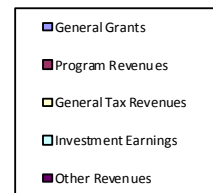
The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$84,116 computed under GASB 45. GASB 45 required recognizing 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 \$1,389,979. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

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

Total 2018 operating expenses under GASB 75	\$36,367,366
Negative OPEB expense under GASB 75	1,389,979
2018 contractually required contribution	107,061
Adjusted 2018 operating expenses	37,864,406
Total 2017 operating expenses under GASB 45	52,829,661
Change in operating expenses not related to OPEB	(\$14,965,255)

The District revenues are mainly from three sources. Property taxes levied for general, special revenue and debt service purposes, program revenues, and grants and entitlements comprised 99% of the District’s revenues for governmental activities. The District’s reliance upon tax revenues is demonstrated in the following graph:

Revenue Sources	2018	Percent of Total
General Grants	\$28,055,462	52.90%
Program Revenues	10,890,682	20.54%
General Tax Revenues	13,569,399	25.59%
Investment Earnings	101,218	0.19%
Other Revenues	415,565	0.78%
Total Revenues	\$53,032,326	100.00%



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

Thus, Ohio districts dependent upon property taxes could be hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 26% of revenue for governmental activities for the District in fiscal year 2018.

Total revenues increased in 2018 mainly due to an increase in program revenues and grants and entitlements. Total expenses decreased mainly due to changes related to net pension liability and other post employment benefits liability.

Instruction comprises 50% of governmental program expenses. Support services expenses were 41% of governmental program expenses. All other expenses including interest and fiscal charges were 9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

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

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$18,241,393	\$30,046,804	(\$11,931,632)	(\$24,091,292)
Support Services:				
Pupil and Instructional Staff	5,399,029	5,329,919	(4,225,220)	(4,377,884)
School Administration, General				
Administration, Fiscal and Business	2,174,600	4,526,600	(1,800,275)	(4,071,569)
Operations and Maintenance	3,351,853	4,096,268	(3,264,942)	(4,048,229)
Pupil Transportation	3,623,483	4,065,172	(3,246,902)	(3,663,656)
Central	246,955	239,179	(231,874)	(239,111)
Operation of Non-Instructional Services	1,721,493	2,306,850	719,693	309,673
Extracurricular Activities	450,603	1,029,671	(337,575)	(902,465)
Interest and Fiscal Charges	1,157,957	1,189,198	(1,157,957)	(1,189,198)
Total Expenses	<u>\$36,367,366</u>	<u>\$52,829,661</u>	<u>(\$25,476,684)</u>	<u>(\$42,273,731)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of this fund comprised \$36,102,310 (84%) of the total \$43,084,194 governmental funds' assets.

General Fund: Fund balance at June 30, 2018 was \$23,171,796, an increase in fund balance of \$907,480 from 2017. The primary reason for the increase in fund balance was due to an increase in intergovernmental revenue.

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. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the original budget basis revenue was \$46,959,357, compared to final budget estimates of \$44,238,633. The difference between the original budget basis and final budget was \$2,720,724 was mostly due to overestimating taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$21,923,115.

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$73,840,027 invested in land, land improvements, buildings and improvements, equipment, and vehicles. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

**Table 4
Capital Assets, Net of Depreciation**

	Governmental Activities	
	2018	2017
Land	\$1,624,962	\$1,624,962
Land Improvements	2,460,073	2,804,952
Buildings and Improvements	67,853,721	70,881,368
Equipment	1,698,020	1,719,323
Vehicles	203,251	290,631
Total Net Capital Assets	<u>\$73,840,027</u>	<u>\$77,321,236</u>

The decrease in capital assets is due to current year depreciation expense exceeding current year additions.

See Note 7 to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2018, the District had \$28,207,587 in debt outstanding and \$905,000 due within one year. Table 5 summarizes outstanding debt at year end.

**Table 5
Outstanding Debt, at Year End**

	Governmental Activities	
	2018	2017
2008 School Improvement Bonds	\$0	\$885,000
2015 Refunding Bonds	25,145,000	25,145,000
2015 Refunding Bonds - Premium	3,062,587	3,237,592
Total Debt Outstanding	<u>\$28,207,587</u>	<u>\$29,267,592</u>

See Note 8 to the basic financial statements for further details on the District's outstanding debt.

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

For the Future

House Bill 59 introduced new spending mandates and increased deductions from public school districts to fund charter and non-public options. These funding limits, spending mandates and deduction increases all have to be taken into account in monitoring the operation of the District and future decisions on pursuing additional revenue or expenditure reductions. This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Mt. Healthy City School District, 7615 Harrison Avenue, Cincinnati, Ohio 45231.

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Mt. Healthy City School District
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$24,756,907
Restricted Cash and Investments	168,887
Receivables (Net):	
Taxes	15,654,468
Accounts	100,342
Interest	41,662
Intergovernmental	1,684,158
Prepays	72,202
Inventory	69,756
Nondepreciable Capital Assets	1,624,962
Depreciable Capital Assets, Net	<u>72,215,065</u>
 Total Assets	 <u>116,388,409</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding	1,593,270
Pension	14,042,487
OPEB	<u>624,585</u>
 Total Deferred Outflows of Resources	 <u>16,260,342</u>
 Liabilities:	
Accounts Payable	43,576
Accrued Wages and Benefits	4,193,888
Accrued Interest Payable	98,997
Long-Term Liabilities:	
Due Within One Year	1,152,959
Due In More Than One Year	
Net Pension Liability	42,336,900
Net OPEB Liability	9,655,342
Other Amounts	<u>28,176,601</u>
 Total Liabilities	 <u>85,658,263</u>
 Deferred Inflows of Resources:	
Property Taxes	9,058,909
Pension	2,755,366
OPEB	<u>1,335,814</u>
 Total Deferred Inflows of Resources	 <u>13,150,089</u>
 Net Position:	
Net Investment in Capital Assets	47,225,710
Restricted for:	
Debt Service	1,756,428
Classroom Facilities Maintenance	413,877
Federal Grants	920,046
Food Service	1,452,476
District Managed Student Activity	49,982
Other Purposes	28,590
Unrestricted	<u>(18,006,710)</u>
 Total Net Position	 <u>\$33,840,399</u>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$7,199,581	\$593,488	\$45,773	(\$6,560,320)
Special	4,936,480	197,994	5,411,941	673,455
Vocational	40,367	1,391	59,174	20,198
Other	6,064,965	0	0	(6,064,965)
Support Services:				
Pupil	2,857,473	5,941	557,139	(2,294,393)
Instructional Staff	2,541,556	993	609,736	(1,930,827)
General Administration	438,513	0	0	(438,513)
School Administration	1,109,719	12,823	353,241	(743,655)
Fiscal	542,944	0	126	(542,818)
Business	83,424	334	7,801	(75,289)
Operations and Maintenance	3,351,853	53,344	33,567	(3,264,942)
Pupil Transportation	3,623,483	0	376,581	(3,246,902)
Central	246,955	619	14,462	(231,874)
Operation of Non-Instructional Services	1,721,493	91,268	2,349,918	719,693
Extracurricular Activities	450,603	110,213	2,815	(337,575)
Interest and Fiscal Charges	1,157,957	0	0	(1,157,957)
Total Governmental Activities	\$36,367,366	\$1,068,408	\$9,822,274	(25,476,684)

General Revenues:

Property Taxes Levied for:	
General Purposes	11,342,408
Special Revenue Purposes	370,455
Debt Service Purposes	1,856,536
Grants and Entitlements, Not Restricted	28,055,462
Unrestricted Contributions	13,029
Investment Earnings	101,218
Other Revenues	402,536

Total General Revenues 42,141,644

Change in Net Position 16,664,960

Net Position - Beginning of Year, Restated 17,175,439

Net Position - End of Year \$33,840,399

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$21,826,947	\$2,929,960	\$24,756,907
Restricted Cash and Investments	168,887	0	168,887
Receivables (Net):			
Taxes	13,377,739	2,276,729	15,654,468
Accounts	88,724	11,618	100,342
Interest	41,662	0	41,662
Intergovernmental	0	1,684,158	1,684,158
Interfund	535,812	0	535,812
Prepays	62,539	9,663	72,202
Inventory	0	69,756	69,756
Total Assets	<u>36,102,310</u>	<u>6,981,884</u>	<u>43,084,194</u>
Liabilities:			
Accounts Payable	33,787	9,789	43,576
Accrued Wages and Benefits	3,647,643	546,245	4,193,888
Compensated Absences	25,704	3,702	29,406
Interfund Payable	0	535,812	535,812
Total Liabilities	<u>3,707,134</u>	<u>1,095,548</u>	<u>4,802,682</u>
Deferred Inflows of Resources:			
Property Taxes	9,195,576	1,471,729	10,667,305
Grants and Other Taxes	10,821	1,243,312	1,254,133
Investment Earnings	16,983	0	16,983
Total Deferred Inflows of Resources	<u>9,223,380</u>	<u>2,715,041</u>	<u>11,938,421</u>
Fund Balances:			
Nonspendable	62,539	9,663	72,202
Restricted	0	3,587,062	3,587,062
Assigned	448,141	0	448,141
Unassigned	22,661,116	(425,430)	22,235,686
Total Fund Balances	<u>23,171,796</u>	<u>3,171,295</u>	<u>26,343,091</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$36,102,310</u>	<u>\$6,981,884</u>	<u>\$43,084,194</u>

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balance \$26,343,091

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 73,840,027

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

Delinquent Property Taxes	\$1,608,396	
Interest	16,983	
Intergovernmental	1,243,312	
Other Receivables	<u>10,821</u>	
		2,879,512

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. (98,997)

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 (1,092,567)

Deferred charge on refunding associated with long-term liabilities
 that are not reported in the funds. 1,593,270

Deferred outflows and inflows or 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	14,042,487	
Deferred inflows of resources related to pensions	(2,755,366)	
Deferred outflows of resources related to OPEB	624,585	
Deferred inflows of resources related to OPEB	<u>(1,335,814)</u>	
		10,575,892

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

Net Pension Liability	(42,336,900)	
Net OPEB Liability	(9,655,342)	
Other Amounts	<u>(28,207,587)</u>	
		<u>(80,199,829)</u>

Net Position of Governmental Activities \$33,840,399

See accompanying notes to the basic financial statements.

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$10,967,888	\$2,186,037	\$13,153,925
Tuition and Fees	790,190	0	790,190
Investment Earnings	98,941	0	98,941
Intergovernmental	31,837,081	5,483,347	37,320,428
Extracurricular Activities	10,501	110,819	121,320
Charges for Services	11,988	92,483	104,471
Other Revenues	375,103	54,937	430,040
Total Revenues	44,091,692	7,927,623	52,019,315
Expenditures:			
Current:			
Instruction:			
Regular	13,730,405	53,507	13,783,912
Special	6,893,783	1,676,447	8,570,230
Vocational	38,868	1,499	40,367
Other	6,288,687	0	6,288,687
Support Services:			
Pupil	3,331,743	752,338	4,084,081
Instructional Staff	2,563,861	530,075	3,093,936
General Administration	119,603	0	119,603
School Administration	2,393,915	373,813	2,767,728
Fiscal	802,518	39,450	841,968
Business	197,782	7,187	204,969
Operations and Maintenance	2,567,602	183,329	2,750,931
Pupil Transportation	3,024,234	38,626	3,062,860
Central	117,832	26,018	143,850
Operation of Non-Instructional Services	142,101	2,223,598	2,365,699
Extracurricular Activities	704,122	130,996	835,118
Capital Outlay	78,462	40,565	119,027
Debt Service:			
Principal Retirement	0	885,000	885,000
Interest and Fiscal Charges	0	1,244,413	1,244,413
Total Expenditures	42,995,518	8,206,861	51,202,379
Excess of Revenues Over (Under) Expenditures	1,096,174	(279,238)	816,936
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	5,012	0	5,012
Transfers In	0	193,706	193,706
Transfers (Out)	(193,706)	0	(193,706)
Total Other Financing Sources (Uses)	(188,694)	193,706	5,012
Net Change in Fund Balance	907,480	(85,532)	821,948
Fund Balance - Beginning of Year	22,264,316	3,256,827	25,521,143
Fund Balance - End of Year	\$23,171,796	\$3,171,295	\$26,343,091

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balance - Total Governmental Funds \$821,948

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	\$184,188	
Depreciation Expense	<u>(3,663,838)</u>	(3,479,650)

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. (1,559)

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.

District pension contributions for pension	\$3,017,091	
Cost of benefits earned net of employee contributions for pension	12,808,554	
District pension contributions for OPEB	107,061	
Cost of benefits earned net of employee contributions for OPEB	<u>1,389,979</u>	17,322,685

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

Delinquent Property Taxes	\$453,411	
Interest	2,277	
Intergovernmental	558,828	
Other	<u>(1,505)</u>	1,013,011

Repayment of bond and capital lease principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 885,000

In the statement of activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due. 2,495

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	\$17,069	
Amortization of Bond Premium	175,005	
Amortization of Deferred Charge on Refunding	<u>(91,044)</u>	101,030

Change in Net Position of Governmental Activities \$16,664,960

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Assets and Liabilities
Fiduciary Fund
June 30, 2018

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$38,971</u>
Total Assets	<u>38,971</u>
Liabilities:	
Accounts Payable	2,723
Other Liabilities	<u>36,248</u>
Total Liabilities	<u>\$38,971</u>

See accompanying notes to the basic financial statements.

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Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 - Description of the District

The Mt. Healthy City School District (the District) was chartered by the Ohio State Legislature in 1832 when state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by approximately 105 support staff personnel and approximately 247 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 10th largest in Hamilton County in terms of enrollment. It currently operates 2 elementary schools, 1 junior high (grades 7-8) and 1 high school (grades 9-12). The Junior High and High School are located on the same complex.

Reporting Entity

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

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

The District is associated with three organizations, two of which are defined as jointly governed organizations, and one as an insurance purchasing pool. These organizations are:

Jointly Governed Organizations:

Hamilton Clermont Information Technology Center

Great Oaks Career Campuses

Insurance Purchasing Pool:

Ohio School Boards Association Workers' Compensation Group Rating Plan

These organizations are presented in Notes 12 and 13.

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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Measurement Focus

Government-wide Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. All assets, 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 entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and 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 business segment or 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.

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 of governmental and fiduciary.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 is the District's major governmental fund:

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.

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. Private purpose trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are Agency Funds. The District's Agency Funds account for assets and liabilities generated by student managed activities and activities related to the state athletic tournament.

Note 3 - 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 actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows 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 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

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes, pension, OPEB, and investment 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 have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows related to pension and OPEB plans are reported on the governmental-wide statement of net position. For more pension and OPEB related information, see Notes 9 and 10.

Expenses/Expenditures

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

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

Equity In Pooled Cash And Investments

Cash received by the District is pooled for investment purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

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

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue in the General Fund during fiscal year 2018 amounted to \$98,941 and \$0 in Other Governmental Funds.

Prepaid Items

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

Inventory

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

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars (\$1,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	5-30 years
Equipment	5-20 years

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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limit specified in the District's termination policy. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that have matured, for example, as a result of employee resignations and retirements.

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	15-25 days service accumulated monthly	10-25 days for each year depending on length of service
Maximum Accumulation	Not Applicable	20 days at end of their contract year	20 days at end of their contract year
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	1-1/2 days per month of employment (18 days per year)	1-1/4 days per month of employment (15 days per year)	1-1/2 days per month of employment (18 days per year)
Maximum Accumulation	265 days	265 days	265 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Net Position

Net position represents the difference between assets and liabilities. 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 its 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 \$4,621,399 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/payables". These amounts are eliminated in the governmental activities column on the Statement of Net position.

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

Fund Balance

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

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

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

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

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

Mt. Healthy City School District
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For the Fiscal Year Ended June 30, 2018

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

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

Estimates

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for budget stabilization and amounts held in retainage for contractors.

Note 4 - 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:

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

Mt. Healthy City School District
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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, \$11,985,325 of the District's bank balance of \$12,735,325 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:

Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Federal Home Loan Bank	\$2,715,788	Level 2	2.43
Federal National Mortgage Association	968,146	Level 2	2.71
Negotiable CDs	8,909,141	Level 2	1.64
Total Fair Value	\$12,593,075		
Portfolio Weighted Average Maturity			1.87

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2018. All investments of the District are valued using quoted market prices.

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating

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organizations. The District's investments in Federal Home Loan Bank and Federal National Mortgage Association, were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Negotiable CDs were not rated.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 21.6% in Federal Home Loan Bank, 7.7% in Federal National Mortgage Association, and 70.7% in Negotiable CD's.

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 5 - Property Taxes

Real property taxes collected in 2018 were levied in April on the assessed values as of January 1, 2017, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Real property taxes are payable annually or semi-annually. In 2018, if paid annually, payment was due by January 31st. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2018. Delinquent property taxes collected within 60 days of the fiscal year end are included as a receivable and tax revenue on the fund financial statements. All delinquent property taxes outstanding at June 30, 2018 are recognized as a revenue and receivable on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2018, was \$4,050,000 for General Fund and \$805,000 in Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2018 operations.

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

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

Mt. Healthy City School District
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	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$277,796,850
Public Utility	<u>15,403,410</u>
Total	<u><u>\$293,200,260</u></u>

Note 6 – Receivables

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

Note 7 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,624,962	\$0	\$0	\$1,624,962
<i>Capital Assets, being depreciated:</i>				
Land Improvements	6,136,816	0	0	6,136,816
Buildings and Improvements	90,839,230	0	0	90,839,230
Equipment	11,522,969	64,044	186,470	11,400,543
Vehicles	<u>2,117,761</u>	<u>120,144</u>	<u>124,323</u>	<u>2,113,582</u>
Totals at Historical Cost	<u>112,241,738</u>	<u>184,188</u>	<u>310,793</u>	<u>112,115,133</u>
Less Accumulated Depreciation:				
Land Improvements	3,331,864	344,879	0	3,676,743
Buildings and Improvements	19,957,862	3,027,647	0	22,985,509
Equipment	9,803,646	83,788	184,911	9,702,523
Vehicles	<u>1,827,130</u>	<u>207,524</u>	<u>124,323</u>	<u>1,910,331</u>
Total Accumulated Depreciation	<u>34,920,502</u>	<u>3,663,838</u>	<u>309,234</u>	<u>38,275,106</u>
Governmental Activities Capital Assets, Net	<u><u>\$77,321,236</u></u>	<u><u>(\$3,479,650)</u></u>	<u><u>\$1,559</u></u>	<u><u>\$73,840,027</u></u>

Mt. Healthy City School District
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,199,905
Special	147,653
Support Services:	
Pupils	1,466
Instructional Staff	57,522
School Administration	401,557
Operations and Maintenance	949,667
Pupil Transportation	651,431
Central	132,997
Operation of Non-Instructional Services	99,290
Extracurricular Activities	22,350
Total Depreciation Expense	<u>\$3,663,838</u>

Note 8 - Long-Term Liabilities

	Interest Rate	Restated Beginning Principal Outstanding	Additions	Deductions	Ending Principal Outstanding	Due In One Year
Governmental Activities:						
Loan and Bonds Payable:						
2008 School Improvement Bonds	4.25%	\$885,000	\$0	\$885,000	\$0	\$0
2015 Refunding Bonds	3.625%-5.00%	25,145,000	0	0	25,145,000	905,000
2015 Refunding Bonds - Premium		3,237,592	0	175,005	3,062,587	0
Subtotal Bonds		29,267,592	0	1,060,005	28,207,587	905,000
Compensated Absences		1,159,947	198,222	236,196	1,121,973	247,959
Subtotal Bonds and Other Amounts		30,427,539	198,222	1,296,201	29,329,560	1,152,959
Net Pension Liability:						
STRS		48,406,053	0	15,370,988	33,035,065	0
SERS		10,725,405	0	1,423,570	9,301,835	0
Subtotal Net Pension Liability		59,131,458	0	16,794,558	42,336,900	0
Net OPEB Liability:						
STRS		7,733,896	0	2,308,113	5,425,783	0
SERS		4,213,831	15,728	0	4,229,559	0
Subtotal Net OPEB Liability		11,947,727	15,728	2,308,113	9,655,342	0
Total Long-Term Obligations		<u>\$101,506,724</u>	<u>\$213,950</u>	<u>\$20,398,872</u>	<u>\$81,321,802</u>	<u>\$1,152,959</u>

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

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

Mt. Healthy City School District
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A summary of the District’s future long-term debt funding requirements, including principal and interest payments as of June 30, 2018 follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2019	\$905,000	\$1,206,301	\$2,111,301
2020	945,000	1,160,051	2,105,051
2021	990,000	1,111,676	2,101,676
2022	1,035,000	1,061,051	2,096,051
2023	1,085,000	1,008,051	2,093,051
2024-2028	6,270,000	4,151,630	10,421,630
2029-2033	8,050,000	2,370,380	10,420,380
2034-2036	5,865,000	379,315	6,244,315
Total	<u>\$25,145,000</u>	<u>\$12,448,455</u>	<u>\$37,593,455</u>

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must 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.

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the employer is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the 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.

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Notes to the Basic Financial Statements
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The contractually required contribution to SERS was \$691,155 for fiscal year 2018. Of this amount \$140,185 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution 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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 \$2,325,936 for fiscal year 2018. Of this amount \$407,064 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$9,301,835	\$33,035,065	\$42,336,900
Proportion of the Net Pension Liability:			
Current Measurement Date	0.15568500%	0.13906448%	
Prior Measurement Date	<u>0.14654040%</u>	<u>0.14461217%</u>	
Change in Proportionate Share	0.00914460%	-0.00554769%	
Pension Expense	(\$262,734)	(\$12,545,820)	(\$12,808,554)

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

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For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$400,319	\$1,275,659	\$1,675,978
Changes of assumptions	481,005	7,225,132	7,706,137
Changes in employer proportionate share of net pension liability	427,418	1,215,863	1,643,281
Contributions subsequent to the measurement date	691,155	2,325,936	3,017,091
Total Deferred Outflows of Resources	<u>\$1,999,897</u>	<u>\$12,042,590</u>	<u>\$14,042,487</u>
Differences between expected and actual experience	\$0	\$266,250	\$266,250
Net difference between projected and actual earnings on pension plan investments	44,154	1,090,196	1,134,350
Changes in employer proportionate share of net pension liability	52,551	1,302,215	1,354,766
Total Deferred Inflows of Resources	<u>\$96,705</u>	<u>\$2,658,661</u>	<u>\$2,755,366</u>

\$3,017,091 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	\$493,063	\$1,649,088	\$2,142,151
2020	682,665	3,372,333	4,054,998
2021	253,154	1,459,467	1,712,621
2022	(216,845)	577,105	360,260
Total	<u>\$1,212,037</u>	<u>\$7,057,993</u>	<u>\$8,270,030</u>

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$12,908,529	\$9,301,835	\$6,280,492

Changes in Benefit Terms

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

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Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$47,354,642	\$33,035,065	\$20,972,968

Changes in Assumptions

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

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

Changes in Benefit Terms

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

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

Net Other Postemployment Benefits (OPEB) Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was \$81,463.

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 \$107,061 for fiscal year 2018. Of this amount \$81,463 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$4,229,559	\$5,425,783	\$9,655,342
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.15759960%	0.13906448%	
Prior Measurement Date	0.14783451%	0.14461217%	
Change in Proportionate Share	<u>0.00976509%</u>	<u>-0.00554769%</u>	
OPEB Expense	\$308,063	(\$1,698,042)	(\$1,389,979)

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	\$313,210	\$313,210
Changes in employer proportionate share of net pension liability	204,314	0	204,314
Contributions subsequent to the measurement date	<u>107,061</u>	<u>0</u>	<u>107,061</u>
Total Deferred Outflows of Resources	<u>\$311,375</u>	<u>\$313,210</u>	<u>\$624,585</u>
Deferred Inflows of Resources			
Changes of assumptions	\$401,363	\$437,064	\$838,427
Net difference between projected and actual earnings on pension plan investments	11,169	231,911	243,080
Changes in employer proportionate share of net pension liability	<u>0</u>	<u>254,307</u>	<u>254,307</u>
Total Deferred Inflows of Resources	<u>\$412,532</u>	<u>\$923,282</u>	<u>\$1,335,814</u>

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\$107,061 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:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	(\$74,187)	(\$121,005)	(\$195,192)
2020	(74,187)	(121,005)	(195,192)
2021	(57,052)	(121,005)	(178,057)
2022	(2,792)	(121,005)	(123,797)
2023	0	(63,026)	(63,026)
Thereafter	0	(63,026)	(63,026)
Total	(\$208,218)	(\$610,072)	(\$818,290)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	\$5,107,731	\$4,229,559	\$3,533,823

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	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	\$3,431,970	\$4,229,559	\$5,285,182

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

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

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	\$7,284,026	\$5,425,783	\$3,957,163
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$3,769,601	\$5,425,783	\$7,605,512

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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 - Contingent Liabilities

Foundation Funding

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

Grants

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

Litigation

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

Note 12 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets errors and omissions, injuries to employees and natural disasters. During the fiscal year, the Ohio School Plan through Hylant Insurance provided property insurance to the district. The Ohio School Plan provided liability insurance coverage with a 5 million Dollar aggregate limit to all employees and volunteers of the district.

All District owned fleet vehicles excluding buses (operated and insured by Durham/National Express) are insured by Ohio School Plan through Hylant and hold a \$1,000 deductible for comprehensive and collision automobile liability and has a 5 million dollar combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past 10 years.

The District carries a performance bond in the amount of \$50,000 for the Treasurer as required by Ohio Revised Code. All other employees including the Superintendent and the Board President are covered under the Employee Dishonesty portion of the Crime coverage on the Ohio School Plan policy.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP is intended to reduce the District's premium by virtue of its grouping and representation with other participants in the GRP. The workers' compensation

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

The District provides a minimum of \$45,000 life insurance and accidental death and dismemberment insurance policy to all employees except administrators through Anthem Life Insurance Co. The District provides administrators a maximum of 1.5 times their salary life insurance and accidental death with a maximum of \$150,000.

The District offers medical/surgical/hospitalization insurance benefits to all employees through Anthem Blue Cross/Blue Shield through the Greater Cincinnati Insurance Consortium.

The District offers dental insurance through Dental Care Plus.

Settled claims have not exceeded commercial coverage in any of the past five years. There has not been a significant reduction in insurance coverage from the previous year.

Note 13 - Jointly Governed Organizations

The Hamilton Clermont Cooperative Information Technology Center (HCC) is a computer service organization whose primary function is to provide information technology services to its members. Currently, the District along with other member school districts in the Ohio counties of Hamilton and Clermont are participants. The Center 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. The governing board of HCC consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Each of the schools support HCC based upon a per pupil charge dependent upon the software package utilized. Financial information can be obtained from their fiscal agent, the Hamilton County Education Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio 45231.

Great Oaks Career Campuses is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of thirty-five representatives from the various city and county boards within Hamilton County, which possesses its own budgeting and taxing authority. To obtain financial information write to the Treasurer at Great Oaks Career Campuses, 3254 East Kemper Road, Cincinnati, Ohio 45241.

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Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 14– Accountability

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

Fund	Deficit
Other Governmental Funds:	
Management Information Systems	\$ 158,514
Special Education	81,796
Title I	135,296
Title V Innovative Projects	2,851
Improving Teacher Quality	31,938
Miscellaneous Federal Grants	4,940
Vocational Education Enhancement	2,695

Project Cash Requests have been submitted for the above deficit amounts, but were not received by fiscal year end June 30, 2018.

Note 15 – Requirement for Set-Asides

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

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

	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance as of June 30, 2017	\$0	\$168,887
Current Year Set Aside Requirements	590,792	0
Qualified Disbursements	(218,232)	0
Current Year Offsets	(372,560)	0
Set Aside Reserve Balance as of June 30, 2018	<u>\$0</u>	<u>\$168,887</u>
Restricted Cash as of June 30, 2018	<u>\$0</u>	<u>\$168,887</u>

Expenditures for capital activity during the year totaled \$590,792, was less than the amount required for the set-aside.

Senate Bill 345 eliminated the Budget Stabilization Reserve, except the amounts related to unspent Bureau of Workers' Compensation refunds. The Bill stipulates that the Board of Education can retain the reserve account or use the reserve for specifically discretionary purposes.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 - Interfund Transactions

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

	Interfund Loan		Transfers	
	Receivable	Payable	In	Out
General Fund	\$535,812	\$0	\$0	\$193,706
Other Governmental Funds	0	535,812	193,706	0
Total All Funds	<u>\$535,812</u>	<u>\$535,812</u>	<u>\$193,706</u>	<u>\$193,706</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 budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

All interfund balances are expected to be paid within one year.

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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Prepays	\$62,539	\$9,663	\$72,202
Total Nonspendable	62,539	9,663	72,202
Restricted for:			
Local Grants	0	11,366	11,366
District Managed Activity	0	49,982	49,982
Miscellaneous State Grants	0	17,224	17,224
Food Service	0	1,511,317	1,511,317
Classroom Facilities Maintenance	0	398,257	398,257
Title I School Improvement	0	997	997
Debt Service	0	1,597,919	1,597,919
Total Restricted	0	3,587,062	3,587,062
Assigned to:			
Public School Support	13,366	0	13,366
Encumbrances	434,775	0	434,775
Total Assigned	448,141	0	448,141
Unassigned (Deficit)	22,661,116	(425,430)	22,235,686
Total Fund Balance	\$23,171,796	\$3,171,295	\$26,343,091

Fund balance classified as assigned for encumbrances in the general fund are assigned for all ordinary day-to-day operations of the District, for the purchase and sale of school supplies, and for specific local revenue sources.

Note 18 – 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

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

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

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

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Net position June 30, 2017	\$29,039,050
Adjustments:	
Net OPEB Liability	(11,947,727)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>84,116</u>
Restated Net Position June 30, 2017	<u>\$17,175,439</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.

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REQUIRED SUPPLEMENTARY INFORMATION



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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.13906448%	0.14461217%	0.14037797%	0.13604723%	0.13604723%
District's Proportionate Share of the Net Pension Liability	\$33,035,065	\$48,406,053	\$38,796,365	\$33,091,395	\$39,312,096
District's Covered-Employee Payroll	\$15,747,350	\$14,402,400	\$14,810,767	\$14,104,897	\$13,720,242
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	209.78%	336.10%	261.95%	234.61%	286.53%
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 5 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.

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.15568500%	0.14654040%	0.14849890%	0.14749300%	0.14749300%
District's Proportionate Share of the Net Pension Liability	\$9,301,835	\$10,725,405	\$8,473,491	\$7,464,537	\$8,773,563
District's Covered-Employee Payroll	\$4,859,664	\$4,551,000	\$3,224,476	\$3,128,813	\$2,814,629
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	191.41%	235.67%	262.79%	238.57%	311.71%
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 5 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.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$2,325,936	\$2,204,629	\$2,016,336	\$2,085,541	\$1,946,038	\$1,816,008	\$2,175,852	\$2,340,672	\$2,331,072	\$2,224,848
Contributions in Relation to the Contractually Required Contribution	(2,325,936)	(2,204,629)	(2,016,336)	(2,085,541)	(1,946,038)	(1,816,008)	(2,175,852)	(2,340,672)	(2,331,072)	(2,224,848)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$16,613,829	\$15,747,350	\$14,402,400	\$14,810,767	\$14,104,897	\$13,720,242	\$15,053,799	\$15,900,743	\$16,280,374	\$16,097,305
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.08%	13.80%	13.24%	14.45%	14.72%	14.32%	13.82%

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$691,155	\$680,353	\$637,140	\$612,328	\$600,018	\$559,128	\$745,320	\$846,744	\$786,216	\$787,836
Contributions in Relation to the Contractually Required Contribution	(691,155)	(680,353)	(637,140)	(612,328)	(600,018)	(559,128)	(745,320)	(846,744)	(786,216)	(787,836)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$5,119,667	\$4,859,664	\$4,551,000	\$3,224,476	\$3,128,813	\$2,814,629	\$4,131,865	\$4,525,596	\$4,864,340	\$4,770,295
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	18.99%	19.18%	19.87%	18.04%	18.71%	16.16%	16.52%

See accompanying notes to the required supplementary information.

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.13906448%	0.14461217%
District's Proportionate Share of the Net OPEB Liability	\$5,425,783	\$7,733,896
District's Covered-Employee Payroll	\$15,747,350	\$14,402,400
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	34.46%	53.70%
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 2 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.

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.15759960%	0.14783451%
District's Proportionate Share of the Net OPEB Liability	\$4,229,559	\$4,213,831
District's Covered-Employee Payroll	\$4,859,664	\$4,551,000
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	87.03%	92.59%
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 2 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.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution to OPEB	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$16,613,829	\$15,747,350	\$14,402,400
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 3 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.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution to OPEB (2)	\$107,061	\$84,116	\$71,936
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(107,061)</u>	<u>(84,116)</u>	<u>(71,936)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$5,119,667	\$4,859,664	\$4,551,000
Contributions to OPEB as a Percentage of Covered-Employee Payroll	2.09%	1.73%	1.58%

(1) - The schedule is intended to show information for the past 3 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.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$11,645,437	\$10,970,725	\$10,970,725	\$0
Tuition and Fees	891,583	839,927	839,927	0
Investment Earnings	240,842	226,888	226,888	0
Intergovernmental	33,795,097	31,837,082	31,837,081	(1)
Extracurricular Activities	53	50	50	0
Charges for Services	12,725	11,988	11,988	0
Other Revenues	373,620	351,973	351,973	0
Total Revenues	46,959,357	44,238,633	44,238,632	(1)
Expenditures:				
Current:				
Instruction:				
Regular	14,374,317	13,300,564	13,453,196	(152,632)
Special	7,215,073	6,676,112	6,752,724	(76,612)
Vocational	41,529	38,427	38,868	(441)
Other	6,716,326	6,214,620	6,285,937	(71,317)
Support Services:				
Pupil	3,516,965	3,254,250	3,291,594	(37,344)
Instructional Staff	2,774,780	2,567,505	2,596,969	(29,464)
General Administration	129,800	120,104	121,482	(1,378)
School Administration	2,574,396	2,382,090	2,409,426	(27,336)
Fiscal	849,559	786,097	795,118	(9,021)
Business	220,848	204,351	206,696	(2,345)
Operations and Maintenance	2,864,719	2,650,726	2,681,145	(30,419)
Pupil Transportation	3,659,331	3,385,981	3,424,837	(38,856)
Central	126,683	117,220	118,565	(1,345)
Operation of Non-Instructional Services	146,480	135,538	137,093	(1,555)
Extracurricular Activities	768,150	710,769	718,926	(8,157)
Capital Outlay	142,616	131,963	133,477	(1,514)
Total Expenditures	46,121,572	42,676,317	43,166,053	(489,736)
Excess of Revenues Over (Under) Expenditures	837,785	1,562,316	1,072,579	(489,737)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	5,320	5,012	5,012	0
Advances In	286,008	269,437	269,437	0
Transfers In	14,578	13,733	13,733	0
Transfers (Out)	(205,900)	(190,520)	(192,706)	(2,186)
Total Other Financing Sources (Uses)	100,006	97,662	95,476	(2,186)
Net Change in Fund Balance	937,791	1,659,978	1,168,055	(491,923)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	20,755,060	20,755,060	20,755,060	0
Fund Balance End of Year	\$21,692,851	\$22,415,038	\$21,923,115	(\$491,923)

See accompanying notes to the required supplementary information.

Mt. Healthy City 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 the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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 the Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual 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 a reservation 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.

Mt. Healthy City 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	\$907,480
Revenue Accruals	146,940
Expenditure Accruals	295,598
Transfers In	13,733
Transfers (Out)	1,000
Advances In	269,437
Encumbrances	(466,133)
Budget Basis	\$1,168,055

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

Mt. Healthy City 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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**MT. HEALTHY CITY SCHOOL DISTRICT
HAMILTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Pass Through Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	N/A	\$89,866
Cash Assistance:			
School Breakfast Program	10.553	3L70	757,892
National School Lunch Program	10.555	3L60	1,183,427
Summer Food Service Program for Children	10.559	3GE0	24,650
Total Child Nutrition Cluster			<u>2,055,835</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	3L80	12,679
Total U.S. Department of Agriculture			<u>2,068,514</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education-Grants to States	84.027	3M20	918,625
Special Education-Preschool Grants	84.173	3C50	13,396
Total Special Education Cluster			<u>932,021</u>
Title I Grants to Local Educational Agencies	84.010	3M00	2,007,152
English Language Acquisition Grants	84.365	3Y70	15,984
Supporting Effective Instruction State Grants	84.367	3Y60	168,033
Student Support and Academic Enrichment Program	84.424	3H10	11,551
Total U.S. Department of Education			<u>3,134,741</u>
Total Federal Assistance			<u><u>\$5,203,255</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

**MT. HEALTHY CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

Mt. Healthy City School District
Hamilton County
7615 Harrison Avenue
Mt. Healthy, Ohio 45231

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Mt. Healthy City School District, Hamilton County, Ohio (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 1, 2019

OHIO AUDITOR OF STATE KEITH FABER



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

Mt. Healthy City School District
Hamilton County
7615 Harrison Avenue
Mt. Healthy, Ohio 45231

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Ohio Auditor of State
Columbus, Ohio

February 1, 2019

**MT. HEALTHY CITY SCHOOLS
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster - CFDA # 10.553, 10.555 & 10.559
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE KEITH FABER



MT HEALTHY CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 19, 2019**