TROY CITY SCHOOL DISTRICT
MIAMI COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Troy City School District
Miami County
500 North Market Street
Troy, Ohio 45373

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

Management's Responsibility for the Financial Statements

Management is responsible for 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 School 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 School 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.

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www.ohioauditor.gov

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 Troy City School District, Miami County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2018, the School 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 School District's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019, on our consideration of the School 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 School District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2019

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

Overall:

- Total net position increased by $24.0 million, which represents a 46.8% increase from fiscal year 2017 mainly due to the decrease in Net Pension and OPEB liabilities from fiscal year 2017 to 2018.

- Total assets of governmental activities decreased by $142,794, attributed primarily to an decrease in net capital assets from prior year.

- General revenues accounted for $47.1 million or 83.4% of total revenue. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for nearly $9.4 million or 16.6% of total revenues of $56.5 million.

- Of the School District's $32.5 million in expenses, nearly $9.4 million were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements, income taxes and property taxes) were used to cover the net expense of $23.1 million.

- The General Fund had nearly $48.4 million in revenues and $47.8 million in expenditures representing 85.2% and 85.0% of the total governmental funds revenues and expenditures, respectively.

- The School District's only major fund is the General Fund. The General Fund's balance increased by $405,507 from the prior year.

Using the Basic 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 Troy City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of Troy City School District, the General Fund is by far the most significant fund and the only major governmental fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and use 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.

These two statements report the School District's net position and changes in that position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds, and therefore only the General Fund is presented separate from the other governmental funds.

Governmental Funds

The School 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, 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 School 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.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2018 and 2017:

TABLE 1
NET POSITION JUNE 30

	2018	Restated 2017
Assets:		
Current and Other Assets	$ 42,570,489	41,794,595
Capital Assets	22,972,895	23,891,583
Total Assets	65,543,384	65,686,178
Deferred Outflows of Resources:		
Deferred Charge on Refunding	1,056,223	1,145,204
Pension and OPEB	19,316,585	15,108,469
Total Deferred Outflows of Resources	20,372,808	16,253,673
Liabilities:		
Current Liabilities	4,942,082	5,833,483
Long-Term Liabilities:		
Due Within One Year	1,617,608	1,658,820
Due in More Than One Year:		
Net Pension Liability	55,874,516	75,552,812
Net OPEB Liability	10,811,930	13,545,355
Other Long-Term Liabilities	17,595,807	18,404,785
Total Liabilities	90,841,943	114,995,255
Deferred Inflows of Resources:		
Property Taxes	18,671,725	18,040,030
Pension and OPEB	3,734,149	292,757
Total Deferred Inflows of Resources	22,405,874	18,332,787
NET POSITION:		
Net Investment in Capital Assets	8,500,937	8,375,489
Restricted	3,808,306	3,595,817
Unrestricted	(39,640,868)	(63,359,497)
Total Net Position	$ (27,331,625)	(51,388,191)

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

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

GASB 68 and GASB 75 required the net pension liability and the net OPEB liability to equal the School 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 School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

In accordance with GASB 68 and GASB 75, the School 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 School 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 ($37,952,646) to ($51,388,191).

The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2018, the School District's total net position was a deficit of nearly $(27.3) million. Of that amount, approximately $8.5 million was the net investment in capital assets; nearly $3.8 million was subject to external restrictions upon its use; and the remaining deficit of $39.6 million, which resulted from the School District's reporting its proportion share of net pension and OPEB liabilities. If the three reported amounts related to the net pension and OPEB liabilities calculation are excluded, the net position reported by the School District would be a positive $23.8 million instead of the nearly $27.3 million deficit currently report. As the operation of the state-wide pension system is outside the control of the School District and varies significantly from year to year based on performance of investments, it is important to know how significant the recognition of the net pension liability has on the School District's reported net position.

Table 2 shows the changes in net position for fiscal year 2018, as compared to fiscal year 2017:

TABLE 2
CHANGE IN NET POSITION, JUNE 30

		2018	Restated 2017
REVENUES:			
Program Revenues:			
Charges for Services	$	3,559,047	3,119,896
Operating Grants and Contributions		5,834,088	4,676,661
General Revenues:			
Property Taxes		17,750,401	17,662,314
Income Taxes		11,242,338	11,023,898
Grants and Entitlements		17,233,422	18,360,729
Investment Earnings		375,565	51,901
Other		524,309	265,663
Total Revenues		56,519,170	55,161,062
PROGRAM EXPENSES:			
Instruction		19,130,639	37,916,643
Support Services:			
Pupils and Instructional Staff		1,666,010	4,063,908
Board of Education, Administration Fiscal and Business		2,415,929	5,965,096
Operation and Maintenance of Plant		3,222,403	3,525,947
Pupil Transportation		2,305,433	2,660,186
Central		165,934	267,733
Operation of Non-Instructional Services		2,004,734	2,267,780
Extracurricular Activities		590,981	500,624
Interest and Fiscal Charges		439,620	611,880
Depreciation Expense		520,921	520,921
Total Expenses		32,462,604	58,300,718
Change in Net Position		24,056,566	(3,139,656)
Beginning Net Position		(51,388,191)	N/A
Ending Net Position	$	(27,331,625)	(51,388,191)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense equal to the contractually required contributions to the plans (GASB 27), which was $109,810. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $2.0 million. Consequently, in order to compare 2018 total program expense to 2017, the following adjustments are needed.

Total FY2018 program expenses under GASB 75	$ 32,462,604
Negative OPEB expense under GASB 75	1,973,932
FY2018 contractually required contributions	146,930
Adjusted FY2018 program expenses	34,583,466
Total FY2017 program expenses under GASB 45	58,300,718
Decrease in program expenses not related to OPEB	$ (23,717,252)

Governmental Activities
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 31.4% of revenues for governmental activities for the Troy City School District for fiscal year 2018. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 30.5% of the School District's total revenue was received from unrestricted intergovernmental sources during fiscal year 2018.

Despite not having sought new operating funds through a property tax levy in nearly ten years, the School District has been able to remain financially stable following encountering financial difficulties in the recent past. Careful management of expenses has allowed the School District to increase cash balance maintained on hand. Revenues for fiscal year 2018 increased by nearly $1.4 million and expenses decreased by nearly $25.8 million over those reported for the prior year, mainly due to the change in the net pension and OPEB liabilities.

Instruction comprises 58.9% of the School District's expenses for fiscal year 2018. Support services expenses make up 30.1% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows 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
TOTAL AND NET COST OF PROGRAM SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30,

	2018		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	$ 19,130,639	14,073,187	37,916,643	33,046,540
Support Services:				
Pupils and Instructional Staff	1,666,010	1,666,010	4,063,908	4,063,908
Board of Education, Administration, Fiscal and Business	2,415,929	708,510	5,965,096	5,442,297
Operation and Maintenance of Plant	3,222,403	3,113,872	3,525,947	3,525,947
Pupil Transportation	2,305,433	2,305,433	2,660,186	2,660,186
Central	165,934	165,934	267,733	267,733
Operation of Non-Instructional Services	2,004,734	134,843	2,267,780	531,715
Extracurricular Activities	590,981	(58,861)	500,624	(166,966)
Interest and Fiscal Charges	439,620	439,620	611,880	611,880
Depreciation Expense	520,921	520,921	520,921	520,921
Total Expenses	$ 32,462,604	23,069,469	58,300,718	50,504,161

The School District's Funds

On the modified accrual basis of accounting, the School District's major governmental fund, the General Fund, had an ending fund balance totaling $15.6 million, or 83.5% of the total fund balance for all governmental funds.

The School District's primary operating fund, the General Fund, ended the year with revenues exceeding expenditures by $405,507. The unassigned ending fund balance of the General Fund $10.9 million represents approximately 22.83% of the total expenditures reported in the General Fund.

General Fund Budgeting Highlights

The School 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.

For the General Fund, original budgeted revenue was $46.5 million compared with the final budgeted revenue of nearly $48.2 million, with a 3.51% increase in budgeted amounts during the year. Actual revenue for the year totaled nearly $48.2 million which was $3 more than the final budgeted figure.

Total actual expenditures on the budget basis (cash expenditures plus encumbrances) were $47.0 million, which was $3 lower than the final budget and $858,142 lower than the original budget.

As the budget for the General Fund is amended throughout the fiscal year for unanticipated revenues and expenditures, the final amended budget amounts approximate the actual budgetary results realized by the School District.

Capital Assets

At the end of fiscal year 2018, the School District had nearly $23.0 million invested in land, buildings, improvements, furniture, textbooks and equipment, and vehicles in governmental activities net of accumulated depreciation.

Overall, net capital assets decreased $918,688 from fiscal year 2017. The decrease in capital assets results from depreciation expense reported for the year being a larger amount than the amount of capital outlay.

During fiscal year 2018, primary capital additions included various improvements to buildings and grounds totaling $153,558, purchase of furniture and equipment totaling $178,653, and $345,823 in vehicles, including new busses. Current year depreciation expense totaled nearly $1.6 million. Capital assets disposed of during the fiscal year had a historical cost of $295,333 with related accumulated depreciation of $267,135 resulting in a net loss equal to $28,198.

Costs associated with repair and maintenance of the School District's facilities and other assets that do not extend the useful life of the capitalized item is included within the operation and maintenance of plant function.

Table 4 shows fiscal year 2018 balances compared to 2017:

TABLE 4
CAPITAL ASSETS, JUNE 30

	2018	2017
Land	$ 530,131	530,131
Buildings	15,041,562	15,562,483
Improvements	5,537,324	6,010,685
Furniture and Equipment	476,718	509,564
Textbooks	2,629	3,842
Vehicles	1,384,531	1,274,878
Total Net Capital Assets	$ 22,972,895	23,891,583

For more detailed disclosures regarding the School District's capital assets, readers should read Note 10 to the basic financial statements.

Long-Term Obligations

At June 30, 2018, the School District had three separate bond issues with an outstanding amount due of nearly $15.5 million, of which $1,070,000 is scheduled to mature in the next fiscal year. During the year, $1,065,000 of principal payments were made. At June 30, 2018, the School District's overall legal debt margin was $50.9 million and the unvoted debt margin was $701,205.

For more detailed disclosures regarding the School District's long-term obligations readers should refer to Note 15 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Troy City School District, 500 North Market Street, Troy, Ohio 45373 or call (937) 332-6700.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Net Position
June 30, 2018

		Governmental Activities
ASSETS:		
Pooled Cash and Investments	$	18,390,245
Receivables:		
Income Taxes		3,134,111
Accounts		97,967
Intergovernmental		111,710
Property and Other Local Taxes		20,072,078
Materials and Supplies Inventory		23,752
Prepaid Items		124,308
Restricted Asset:		
Cash and Cash Equivalents with Escrow Agent		616,318
Capital Assets:		
Nondepreciable		530,131
Depreciable, Net of Accumulated Depreciation		22,442,764
Total Assets		65,543,384
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Charge on Refunding		1,056,223
Pension and OPEB		19,316,585
Total Deferred Outflows of Resources		20,372,808
LIABILITIES:		
Accounts Payable		185,511
Accrued Wages and Benefits		2,940,352
Intergovernmental Payable		917,247
Claims Payable		862,194
Accrued Interest Payable		36,778
Noncurrent Liabilities:		
Due Within One Year		1,617,608
Due In More Than One Year		
Net Pension Liability		55,874,516
Net OPEB Liability		10,811,930
Other Amounts Due In More Than One Year		17,595,807
Total Liabilities		90,841,943
DEFERRED INFLOWS OF RESOURCES:		
Property Taxes not Levied to Finance Current Year Operations		18,671,725
Pension and OPEB		3,734,149
Total Deferred Inflows of Resources		22,405,874
NET POSITION:		
Net Investment in Capital Assets		8,500,937
Restricted for:		
Hayner Cultural Center		512,034
Student Activities		703,519
Auxiliary Services		90,458
Educational Grants		25,575
Capital Projects		745,602
Debt Service		1,731,118
Unrestricted		(39,640,868)
Total Net Position	$	(27,331,625)

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense)/ Revenue and Change in Net Position
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 10,705,769	1,561,539	2,083,325	(7,060,905)
Special	5,496,519	298,238	1,114,350	(4,083,931)
Vocational	14,913	-	-	(14,913)
Student Intervention Services	318,448	-	-	(318,448)
Other	2,594,990	-	-	(2,594,990)
Support Services:				
Pupils	772,101	-	-	(772,101)
Instructional Staff	893,909	-	-	(893,909)
Board of Education	632,761	-	-	(632,761)
Administration	839,880	153,836	53,762	(632,282)
Fiscal	529,098	-	1,499,821	970,723
Business	414,190	-	-	(414,190)
Operation and Maintenance of Plant	3,222,403	80,424	28,107	(3,113,872)
Pupil Transportation	2,305,433	-	-	(2,305,433)
Central	165,934	-	-	(165,934)
Operation of Non-Instructional Services	2,004,734	824,311	1,045,580	(134,843)
Extracurricular Activities	590,981	640,699	9,143	58,861
Interest and Fiscal Charges	439,620	-	-	(439,620)
Unallocated Depreciation *	520,921	-	-	(520,921)
Total	$ 32,462,604	3,559,047	5,834,088	(23,069,469)

General Revenues:	
Property Taxes Levied for:	
General Purposes	15,220,288
Hayner Cultural Center	494,020
Debt Service	1,410,157
Capital Outlay	625,936
Income Taxes Levied for General Purposes	11,242,338
Grants, Entitlements and Contributions not Restricted to Specific Programs	17,233,422
Investment Earnings	375,565
Other Revenue	524,309
Total General Revenues	47,126,035
Change in Net Position	24,056,566
Net Position, Beginning of Year - Restated	(51,388,191)
Net Position, End of Year	$ (27,331,625)

* - This amount excludes the depreciation that is included in the direct expense of the various functions.

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Balance Sheet
Governmental Funds
June 30, 2018

		General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Pooled Cash and Investments	$	14,468,817	3,113,293	17,582,110
Receivables:				
Property and Local Taxes		17,160,227	2,911,851	20,072,078
Income Taxes		3,134,111	-	3,134,111
Accounts		97,967	-	97,967
Intergovernmental		24,844	86,866	111,710
Due from Other Funds		4,385	-	4,385
Materials and Supplies Inventory		16,925	6,827	23,752
Prepaid Items		82,541	41,767	124,308
Restricted Asset:				
Cash and Cash Equivalents with Escrow Agent		616,318	-	616,318
Total Assets	$	35,606,135	6,160,604	41,766,739
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Accounts Payable	$	72,405	113,106	185,511
Accrued Wages and Benefits		2,784,265	156,087	2,940,352
Intergovernmental Payable		851,574	65,673	917,247
Compensated Absences Payable		236,370	-	236,370
Due to Other Funds		-	4,385	4,385
Total Liabilities		3,944,614	339,251	4,283,865
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations		15,966,634	2,705,091	18,671,725
Unavailable Revenue		58,978	29,088	88,066
Total Deferred Inflows of Resources		16,025,612	2,734,179	18,759,791
FUND BALANCES:				
Nonspendable		99,466	48,594	148,060
Restricted		616,318	3,141,599	3,757,917
Assigned		4,006,421	-	4,006,421
Unassigned		10,913,704	(103,019)	10,810,685
Total Fund Balances		15,635,909	3,087,174	18,723,083
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$	35,606,135	6,160,604	41,766,739

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

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

Total Governmental Fund Balances	$	18,723,083
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.		22,972,895
Some revenues will not be available to pay for current period expenditures and therefore are reported as unavailable in the funds.		88,066
The Internal Service fund is used by management to charge the cost of providing medical insurance to the individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		(54,059)
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
General Obligation Bonds		(13,105,000)
Energy Conservation Bonds		(1,103,964)
Unamortized Bond Premiums		(1,279,217)
Deferred Amount on Refunding		1,056,223
Accrued Interest Payable		(36,778)
Compensated Absences Payable (less matured)		(3,488,864)
The net pension and OPEB liabilities is not due and payable in the current period; therefore the liabilities and related deferred inflows and outflows are not reported in the governmental funds.		
Deferred Outflows - Pension and OPEB		19,316,585
Deferred Inflows - Pension and OPEB		(3,734,149)
Net OPEB Liability		(10,811,930)
Net Pension Liability		(55,874,516)
Net Position of Governmental Activities	$	(27,331,625)

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Property and Other Local Taxes	$ 15,472,639	2,555,806	18,028,445
Income Taxes	11,242,338	-	11,242,338
Intergovernmental	18,872,616	4,112,250	22,984,866
Investment Earnings	375,144	421	375,565
Tuition and Fees	1,309,001	12,306	1,321,307
Charges for Services	16,575	922,943	939,518
Extracurricular Activities	534,201	764,021	1,298,222
Miscellaneous	529,742	59,830	589,572
Total Revenues	48,352,256	8,427,577	56,779,833
EXPENDITURES:			
Current:			
Instruction:			
Regular	23,254,628	1,630,705	24,885,333
Special	6,782,971	941,107	7,724,078
Vocational	14,913	-	14,913
Student Intervention Services	318,448	-	318,448
Other	2,824,785	-	2,824,785
Support Services:			
Pupils	2,368,802	-	2,368,802
Instructional Staff	1,216,168	101,136	1,317,304
Board of Education	632,761	-	632,761
Administration	3,660,675	354,200	4,014,875
Fiscal	550,170	33,800	583,970
Business	454,673	4,837	459,510
Operation and Maintenance of Plant	3,255,591	228,463	3,484,054
Pupil Transportation	2,230,685	106,102	2,336,787
Central	212,072	-	212,072
Operation of Non-Instructional Services	-	2,176,342	2,176,342
Extracurricular Activities	5,623	521,217	526,840
Capital Outlay	31,220	791,291	822,511
Debt Service:			
Principal	-	1,065,000	1,065,000
Interest	-	462,250	462,250
Total Expenditures	47,814,185	8,416,450	56,230,635
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	538,071	11,127	549,198
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Capital Assets	-	637	637
Transfers In	-	132,564	132,564
Transfers Out	(132,564)	-	(132,564)
Total Other Financing Sources (Uses)	(132,564)	133,201	637
Net Change in Fund Balances	405,507	144,328	549,835
Fund Balance, Beginning of Year	15,230,402	2,942,846	18,173,248
Fund Balance, End of Year	$ 15,635,909	3,087,174	18,723,083

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT

MIAMI COUNTY, OHIO

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

Total Net Change in Fund Balances - Total Governmental Funds	$	549,835
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		
Capital Asset Additions		678,034
Current Year Depreciation		(1,568,524)
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. This is the carrying amount of capital assets disposed of during the year which was offset against any proceeds received.		(28,198)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(261,299)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General obligation bonds		1,065,000
In the statement of activities, interest is accrued and expensed on outstanding bond obligations, whereas in governmental funds, an interest expenditure is reported when payments are due.		3,494
Some expenses reported in the statement of activities, such as compensated absences and certain components of debt obligations, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated absences		(211,369)
Amortization of bond premium		108,117
Amortization of deferred amount on refunding		(88,981)
The Internal Service fund used by management to charge the cost of providing medical insurance to the individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenue is eliminated. The net operating income of the internal service fund is allocated among the governmental activities.		632,013
Contractually required pension and OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		4,108,138
Except for amounts reported as deferred outflows and inflows, changes in the net pension and OPEB liabilities are reported as expenses in the statement of activities.		19,070,307
Change in Net Position of Governmental Activities	$	24,056,567

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Fund Net Position
Internal Service Fund
June 30, 2018

	Governmental Activities
	Internal Service Fund
ASSETS:	
Pooled Cash and Investments	$ 808,135
LIABILITIES:	
Claims Payable	862,194
NET POSITION:	
Unrestricted (Deficit)	$ (54,059)

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES:	
Insurance Premium Contributions:	
Employer Contributions from District	$ 6,015,887
Employee Contributions	446,868
Stop Loss Premiums	(648,395)
Net Premium Contributions	5,814,360
Total Operating Revenues	5,814,360
OPERATING EXPENSES:	
Insurance Claims Expense:	
Total Claims Incurred	5,909,502
Claims Ceded to Stop Loss Coverage	(989,966)
Net Claims Incurred	4,919,536
Contractual Services	262,811
Total Operating Expenses	5,182,347
Operating Income	632,013
Net Position, Beginning of Year	(686,072)
Net Position (Deficit), End of Year	$ (54,059)

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities
	Internal Service Fund
Change in Pooled Cash and Investments	
Cash Flows from Operating Activities:	
Cash Received from Quasi-External Transactions with Other Funds	$ 6,015,887
Cash Received for Employee Premiums	446,868
Cash Payments for Premiums for Stop Loss Insurance	(648,395)
Cash Payments for Insurance Claims	(7,093,542)
Cash Received from Stop Loss Insurance	989,966
Cash Payments for Contractual Services	(262,811)
Net Cash Used in Operating Activities	(552,027)
Net Decrease in Pooled Cash and Investments	(552,027)
Pooled Cash and Investments, Beginning of Year	1,360,162
Pooled Cash and Investments, End of Year	$ 808,135
Reconciliation of Operating Income to Net Cash Used in Operating Activities:	
Operating Income	$ 632,013
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in assets and liabilities:	
Decrease in Claims Payable	(1,184,040)
Total Adjustments	(1,184,040)
Net Cash Used in Operating Activities	$ (552,027)

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Scholarship Private-Purpose Trust Funds	Agency Fund
ASSETS:		
Pooled Cash and Investments	$ 286,613	115,547
Prepaid Items	-	36
Total Assets	286,613	115,583
LIABILITIES:		
Accounts Payable	-	5,736
Due to Students	-	109,847
Total Liabilities	-	$ 115,583
NET POSITION:		
Held in Trust for Scholarships	$ 286,613	

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

		Scholarship Private-Purpose Trust Funds
ADDITIONS:		
Gifts and Contributions	$	30,340
Investment Earnings		12,095
Miscellaneous		1,921
Total Additions		44,356
DEDUCTIONS:		
Educational Outreach		4,810
Total Deductions		4,810
Change in Net Position		39,546
Net Position, Beginning of Year		247,067
Net Position, End of Year	$	286,613

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Troy City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio. The School District operates under a locally elected, five-member Board of Education (Board) to provide educational and other services as required and permitted by the laws and regulations of the State of Ohio and United States of America. The School District is not a part of, or under the control of, the City of Troy, Ohio.

Reporting Entity: A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Troy City School District, this includes general operations, food service, student guidance, extracurricular activities, educational media, care and upkeep of grounds and buildings, preschool and student related activities of the School District. The following activities are included within the reporting entity:

Hayner Cultural Center: About fifty years ago, title to the real and personal property which presently comprises the bulk of Hayner Cultural Center passed from the estate of Mary Jane Hayner to the School District under Mrs. Hayner's will. This facility is now being operated as a fine arts center to provide fine arts exhibits, educational opportunities, and meeting facilities for the citizens of Troy and its surrounding communities. The School District has provided for a Governing Board whose responsibility in part is to preserve, maintain, and operate the Center. The School District has the authority to reject the recommendations of the Governing Board. Likewise, there is a financial benefit and financial burden relationship between the School District and the Center. Accordingly, the Hayner Cultural Center's financial statements are included within the special revenue funds.

Parochial Schools: Within the School District boundaries are four parochial schools, which are operated as private schools. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies is reflected in a special revenue fund for financial reporting purposes.

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

The School District is associated with two jointly governed organizations. These organizations are presented in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:
Southwestern Ohio Educational Purchasing Council
Metropolitan Educational Technology Association

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Troy City School 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 more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School 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.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund was eliminated to avoid the "doubling up" of revenues and expenses.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the year, the School District segregated transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School 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 School 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 School District are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Funds

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

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 is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources and capital projects of the School District whose uses are restricted to a particular purpose.

Proprietary Fund

The proprietary fund focuses on the determination of the changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other department or agencies of the School District on a cost reimbursement basis. The School District has one internal service fund, which accounts for the self-insurance program which provides medical benefits to employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has various funds established to provide scholarships to its students that are classified as private-purpose trust funds. Funds used to account for the activity of the numerous student-managed activities within the School District are classified as agency funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial 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 School District are included on the Statement of Net Position.

Fund Financial Statements

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, 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds, with the exception of agency funds, are reported using the economic resources measurement focus. Agency funds have no measurement focus.

D. 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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and inflows of resources, and in the presentation of expenses versus expenditures.

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. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within ninety days of fiscal year end for all revenues except property tax. For property tax revenue, available means expected to be received within sixty days of fiscal year end.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. 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 fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School 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 fiscal year-end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

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 governmental funds.

E. Deferred Outflows/Inflows of Resources

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budget Data

All funds, other than agency funds and the Auxiliary Services special revenue fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of 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 the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board has established the legal level of control at the fund level for all funds.

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

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

G. Pooled Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary and fiduciary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "pooled cash and investments" on the financial statements.

During fiscal year 2018, investments included money market funds, STAROhio, and negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measurers their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortization cost basis that provides a NAV per share that approximates fair value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to $375,144; $421 was assigned from other School District funds.

For purposes of the statement of cash flows and for presentation of the balance sheet, investments of the cash management pool are reported as pooled cash and investments.

H. Materials and Supplies Inventory

On government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, and purchased food. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by nonspendable fund balance in the appropriate fund, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

I. Prepaid Items

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

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

K. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net position but are not reported in the fund statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at acquisition value as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost 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 except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

Description	Estimated Lives
Buildings	40 years
Improvements	10 – 40 years
Furniture and Equipment	5 – 20 years
Textbooks	7 years
Vehicles	7 – 12 years

L. Restricted Assets

The restricted asset reported within the general fund represents the required sinking fund established in accordance with the covenants of the 2009 energy conservation bond issue. The School District agreed to set aside deposit quarterly to the sinking fund account held by the paying agent to be applied to the payment of the principal amount of the bonds at maturity.

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or 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 and uses in governmental funds. Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statement.

N. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees eligible to receive termination payments as of the balance sheet date and on leave balances accumulated by other employees expected to become eligible in the future to receive payments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to come due for payment as the result of retirement or termination of employment. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

O. Pensions/Other Postemployment Benefit (OPEB) Plans

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

P. Accrued Liabilities and Long-Term Obligations

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

Q. Net Position

Net position represents the difference between assets and deferred outflows of resources compared with liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt 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 are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School District did not have any net position restricted by enabling legislation.

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

R. Fund Balance

The School District reports classifications of fund equity based on the purpose for which resources were received and the level of constraint placed on the resources. Nonspendable fund balance indicates resources that are not expected to be converted to cash because they are not in a spendable form. Resources that have purpose constraints placed upon them by laws, regulations, creditors, grantors, or other external parties are considered available only for the purpose for which they were received and are reported as a restricted fund balance. The School District may limit the use of unreserved resources and they may be reported as

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

committed or assigned fund balance depending on at what level of governance the constraints were placed. With an affirmative vote of its members, the Board of Education may create funds for which resources are committed to the established purpose of that fund. Through the School District's purchasing policy the Board has given the Treasurer the authority to constrain monies for intended purposes, which are reported as assigned fund balances. All other funds in spendable form not restricted, committed or assigned are reported as an unassigned fund balance.

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT OF NET POSITION

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

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

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT OF NET POSITION (Continued)

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

Net Position at June 30, 2017 as previously reported	$ (37,952,646)
Adjustments:	
Net OPEB Liability at June 30, 2017	(13,545,355)
Deferred Outflows - Payments Subsequent to Measurement Date	109,810
Net Position at June 30, 2017 as restated	$ (51,388,191)

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

NOTE 4 – FUND BALANCES

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

Fund Balances	General	Nonmajor Governmental Funds	Total
Nonspendable for:			
Inventory of Supplies	$ 16,925	6,827	23,752
Prepaids	82,541	41,767	124,308
Total Nonspendable	99,466	48,594	148,060
Restricted for:			
Debt Service	616,318	1,068,057	1,684,375
Capital Improvements	-	742,638	742,638
Hayner Cultural Center	-	566,885	566,885
District Managed Activities	-	701,459	701,459
State Educational Grants	-	53,387	53,387
Federal Education Grants	-	9,173	9,173
Total Restricted	616,318	3,141,599	3,757,917
Assigned for:			
Student and Staff Support	207,219	-	207,219
Subsequent Expenditures	243,116	-	243,116
Subsequent Appropriations	3,556,086	-	3,556,086
Total Assigned	4,006,421	-	4,006,421
Unassigned (Deficit)	10,913,704	(103,019)	10,810,685
Total Fund Balances	$ 15,635,909	3,087,174	18,723,083

NOTE 5 - ACCOUNTABILITY

The District had a deficit in the Lunchroom Fund totaling $103,019 as of June 30, 2018 which was created by the application of generally accepted accounting principles. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

NOTE 6 – DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the School District into three categories.

Active Monies – Those monies required to be kept in "cash" or "near-cash" status for the immediate use of the district. Such monies must be maintained either as cash in the treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – Those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificate of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested in legal securities (see Note 2G).

Deposits

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

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

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

At year end, the carrying amount of the School District's cash and deposits was $11,880,114 (including $14,790 of cash on hand) and the bank balance was $12,342,558. Of the bank balance, $2,765,624 was covered by federal depository insurance (FDIC) and $9,576,934 was uninsured.

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

Investments

Investments are reported at fair value. As of June 30, 2018, the School District had the following investments:

	Fair Value	Maturity (in years) Less than 1	1-3	% of Portfolio	Credit Rating*
Money Market	$ 20,888	20,888	-	0.28%	N/A
Negotiable CD's	7,507,649	2,533,556	4,974,093	99.72%	N/A
STAR Ohio	72	72	-	0.00%	AAAm
Total Investments	$ 7,528,609	2,554,516	4,974,093		

* - as rated by Standard & Poor's rating services

The School District's investment policy permits the purchase of any security specifically authorized by the Ohio Revised Code and includes the following:

Interest Rate Risk – An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Ohio Revised Code §135.14(B)(7)(a) limits commercial paper to those assigned the highest credit rating by two nationally recognized rating services.

Credit Risk – The District has no investment policy that would further limit its investment risk other than what has been approved by State statute. The School District's negotiable certificates of deposits (CDs) were covered by FDIC.

Concentration of Credit Risk – The School District should normally seek to diversify its holdings of other investments by avoiding concentrations of specific issuers.

Fair Value Measurement

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

Level 1 – Investments reflect prices quoted in active markets.
Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
Level 3 – Investments reflect prices based upon unobservable sources.

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

The categorization of investments within the hierarchy is based upon the transparency of the instrument and should not be perceived as the particular investment's risk. The School District had the following reoccurring fair value measurements as of June 30, 2018:

Investment Type	Total	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Negotiable CDs	$ 7,507,649	$ -	$ 7,507,649	$ -
Total	$ 7,507,649	$ -	$ 7,507,649	$ -

Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers.

NOTE 7 – PROPERTY TAXES

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

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

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

The School District receives property taxes from Miami County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018 are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NOTE 7 – PROPERTY TAXES (Continued)

Property taxes receivable represents real property and public utility property taxes that are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the portion of real property taxes available as an advance at June 30 was levied to finance current year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. The amount available as an advance at June 30, 2018, was $1,083,013, $103,941, $46,111 and $36,424 in the General, Debt Service, Capital Project and Hayner funds, respectively.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, it is reported as deferred inflows of resources – unavailable revenue, unless remitted to the School District within the available period.

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

	2018 First Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$ 676,099,430	96.42%	666,082,370	96.54%
Public Utility	25,105,840	3.58%	23,836,820	3.46%
Total Assessed Value	$ 701,205,270	100.00%	689,919,190	100.00%
Tax rate per $1,000 of assessed valuation	$52.60		$52.62	

NOTE 8 – INCOME TAX

On January 1, 2007 the School District levied a voted 1.5 percent income tax on the earned income of individuals residing in the School District for the purpose of current expenses. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. For fiscal year 2018, this income tax generated $11,242,338 of revenue in the General Fund.

NOTE 9 – RECEIVABLES

Receivables at June 30, 2018, consisted of current and delinquent property taxes, income taxes, accounts (rent and student fees), intergovernmental grants and interfund transactions. 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 fiscal year guarantee of federal funds.

NOTE 9 – RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund:	
Miscellaneous	$ 24,844
Nonmajor Governmental Funds:	
Title I Grant Fund	59,917
Title I-D Grant Fund	7,302
Title II-A Grant Fund	17,986
Strategies Secondary Transition Student with Disabilities	1,661
Total Intergovernmental Receivables	$ 111,710

NOTE 10 – CAPITAL ASSETS

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

	Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
Capital Assets, not being depreciated:				
Land	$ 530,131	-	-	530,131
Capital Assets, being depreciated:				
Buildings	30,430,819	-	-	30,430,819
Improvements	16,337,395	153,558	-	16,490,953
Furniture and Equipment	4,945,230	178,653	(65,751)	5,058,132
Textbooks	11,633	-	-	11,633
Vehicles	3,396,745	345,823	(229,582)	3,512,986
	55,121,822	678,034	(295,333)	55,504,523
Less: Accumulated Depreciation:				
Buildings	(14,868,336)	(520,921)	-	(15,389,257)
Improvements	(10,326,710)	(626,919)	-	(10,953,629)
Furniture and Equipment	(4,435,666)	(211,499)	65,751	(4,581,414)
Textbooks	(7,791)	(1,213)	-	(9,004)
Vehicles	(2,121,867)	(207,972)	201,384	(2,128,455)
	(31,760,370)	(1,568,524) *	267,135	(33,061,759)
Capital Assets, being depreciated, net	23,361,452	(890,490)	(28,198)	22,442,764
Capital Assets, net	$ 23,891,583	(890,490)	(28,198)	22,972,895

NOTE 10 – CAPITAL ASSETS (Continued)

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

Instruction:	
Regular	$ 656,302
Support Services:	
Instructional Staff	481
Administration	141,949
Operation and Maintenance of Plant	26,892
Pupil Transportation	199,356
Operation of Non-Instructional Services	17,959
Extracurricular Activities	4,664
	1,047,603
Unallocated Depreciation	520,921
Total Depreciation Expense	$ 1,568,524

Unallocated depreciation is depreciation of the individual school buildings throughout the District that essentially serve all functions/programs, and therefore is not included as a direct expense of any function or program but disclosed as a separate expense.

NOTE 11 – RISK MANAGEMENT

A. Property and Liability

The School District covers the majority of its risk (property, liability, etc.) through commercial insurance. There were no significant changes in coverages, retentions or limits during the fiscal year. Settled claims have not exceeded the commercial coverages in any of the previous three years.

B. Health Insurance

The School District provides health care coverage for its employees and is self-insured up to a stop loss limit of $125,000 per employee for the cost of providing this coverage and an aggregate stop loss limit of $7,907,669. Premiums are charged to the funds from which the covered employees are paid. Self-insured risk for health care benefits is accounted for with the School District's internal service fund.

Expenses for claims are recorded as other expenditures/expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on past experience and large outstanding balances. The liability at June 30, 2018, is not discounted. An actuary was used in determining its liability. A summary of changes in self-insured claims for the year ended June 30, 2018, follows:

Year		Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2017	$	644,459	10,496,467	(9,094,692)	2,046,234
2018	$	2,046,234	5,909,502	(7,093,542)	862,194

NOTE 12 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contribution to SERS was $927,276 for fiscal year 2018. Of this amount, $201,861 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

The School District's contractually required contribution to STRS was approximately $3,033,932 for fiscal year 2018. Of this amount, $616,969 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for 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 School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	$ 11,843,772	$ 44,030,744	$ 55,874,516
Proportion of the net pension liability	0.1982295%	0.1853519%	
Change in proportionate share	-0.0086685%	0.0048788%	
Pension (negative) expense	$ (640,998)	$ (16,455,377)	$ (17,096,375)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 509,715	$ 1,700,262	$ 2,209,977
Change in assumptions	612,451	9,630,008	10,242,459
Change in School District's proportionate share and difference in employer contributions	3,285	2,111,616	2,114,901
School District contributions subsequent to the measurement date	927,276	3,033,932	3,961,208
Total	$ 2,052,727	$ 16,475,818	$ 18,528,545
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ -	$ (354,872)	$ (354,872)
Net difference between projected and actual earnings on pension plan investments	(56,220)	(1,453,066)	(1,509,286)
Change in School District's proportionate share and difference in employer contributions	(498,770)	(80,428)	(579,198)
Total	$ (554,990)	$ (1,888,366)	$ (2,443,356)

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

$3,961,208 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 257,181	$ 2,549,919	$ 2,807,100
2020	518,645	4,526,586	5,045,231
2021	70,738	3,421,514	3,492,252
2022	(276,103)	1,055,501	779,398
	$ 570,461	$ 11,553,520	$ 12,123,981

Actuarial Assumptions – SERS

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

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

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
Total	100.00%	

Discount Rate – Total pension liability was calculated using the discount rate of 7.5%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 16,436,078	$ 11,843,772	$ 7,996,779

Actuarial Assumptions - STRS

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

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and prior
Inflation	2.50%	2.75%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, Including inflation	7.45%, net of investment expenses	7.75%. net of investment expenses
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter
Cost-of-living adjustments	0% effective July 1, 2017	2% simple for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	6.84 %

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$ 63,116,573	$ 44,030,744	$ 27,953,794

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2018, one of the members of the Board of Education has elected social security. The Board's liability is 6.2% of wages paid.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

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

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

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, the minimum compensation amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $109,810.

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $146,930 for fiscal year 2018. Of this amount $93,822 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

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

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

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

	SERS	STRS	Total
Proportionate share of the net OPEB liability	$ 3,580,183	$ 7,231,747	$ 10,811,930
Proportion of the net OPEB liability	0.1334029%	0.1853519%	
Change in proportionate share	0.0031973%	0.0048789%	
OPEB (negative) expense	$ 195,536	$ (2,169,468)	$ (1,973,932)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ -	$ 417,462	$ 417,462
Change in School District's proportionate share and difference in employer contributions	-	223,648	223,648
School District contributions subsequent to the measurement date	146,930	-	146,930
Total	$ 146,930	$ 641,110	$ 788,040
Deferred Inflows of Resources:			
Net difference between projected and actual earnings on OPEB plan investments	$ (9,456)	$ (309,100)	$ (318,556)
Change in assumptions	(339,742)	(582,540)	(922,282)
Difference between employer contributions and proportionate share of contributions	(49,955)	-	(49,955)
Total	$ (399,153)	$ (891,640)	$ (1,290,793)

$146,930 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (143,559)	$ (67,513)	$ (211,072)
2020	(143,559)	(67,513)	(211,072)
2021	(109,671)	(67,513)	(177,184)
2022	(2,364)	(67,513)	(69,877)
2023	-	9,762	9,762
2024	-	9,760	9,760
	$ (399,153)	$ (250,530)	$ (649,683)

Actuarial Assumptions – SERS

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

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

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

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

Investment Rate of Return	7.50% net of investment expense, including inflation
Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Municipal Bond Index Rate:	
Prior Measurement Date	2.92%
Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Prior Measurement Date	2.98%
Measurement Date	3.63%
Medical Trend Assumption:	
Pre-Medicare	7.50% - 5.00%
Medicare	5.50% - 5.00%

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

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

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

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

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$ 4,323,526	$ 3,580,183	$ 2,991,265

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

	1% Decrease (6.50% decreasing to 4.00%)	Current Trend Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
School District's proportionate share of the net OPEB liability	$ 2,905,050	$ 3,580,183	$ 4,473,732

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Actuarial Assumptions - STRS

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

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6% - 11% initially, 4.50% ultimate
Cost-of-living adjustments	0% effective July 1, 2017

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

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

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

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:

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	6.84 %

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

Discount Rate – The discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58% as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26% which represents the long term expected rate of return of 7.75% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85% for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$ 9,708,505	$ 7,231,747	$ 5,274,300

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
School District's proportionate share of the net OPEB liability	$ 5,024,308	$ 7,231,747	$ 10,136,996

NOTE 14 – OTHER EMPLOYEE BENEFITS – COMPENSATED ABSENCES

Administrators and classified staff who work twelve-month contracts are granted vacation leave. The leave amount is based on length of service and position. Accrued vacation leave may, in some cases, be carried over from one contract year to another, for up to three years. The School District accrues vacation leave benefits as earned.

District employees earn sick leave at fifteen days per year. Upon retirement or termination an employee is paid 25% of the accrued sick leave days, not to exceed a total of 50 days' severance pay. Sick leave benefits are accrued as a liability using the vesting method.

NOTE 15 – LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2018 were as follows:

	Restated Amount Outstanding 6/30/17	Increase	Decrease	Amount Outstanding 6/30/18	Amount Due Within One Year
General Obligation Bonds:					
2012 Refunding Bonds					
Serial - 2.00% - 4.00%	$ 8,015,000	-	(1,025,000)	6,990,000	1,070,000
2013 Refunding Bonds					
Serial - 3.00% - 5.00%	4,835,000	-	-	4,835,000	-
Term - 2.05% - 2.50%	1,320,000	-	(40,000)	1,280,000	-
Add: Bond Premium	1,387,334	-	(108,117)	1,279,217	-
Total General Obligation Bonds	15,557,334	-	(1,173,117)	14,384,217	1,070,000
Net Pension Liability:					
STRS	60,409,763	-	(16,379,019)	44,030,744	-
SERS	15,143,049	-	(3,299,277)	11,843,772	-
Total Net Pension Liability	75,552,812	-	(19,678,296)	55,874,516	-
Net OPEB Liability:					
STRS	9,651,745	-	(2,419,998)	7,231,747	-
SERS	3,893,610	-	(313,427)	3,580,183	-
Total Net Pension Liability	13,545,355	-	(2,733,425)	10,811,930	-
Energy Conservation Bonds 0.0%	1,103,964	-	-	1,103,964	-
Compensated Absences	3,402,307	956,747	(633,820)	3,725,234	547,608
Total Governmental Activities	$ 109,161,772	956,747	(24,218,658)	85,899,861	1,617,608

The School District pays obligations related to employee compensation (compensated absences and pension and OPEB contributions) from the fund benefitting from their service.

Legal Debt Margins

As of June 30, 2018, the overall legal debt margin was $50,923,041 with an unvoted debt margin of $701,205.

NOTE 15 – LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds

The general obligation bond issues will be paid through the debt service fund from property taxes collected by the County Auditor. The District issued general obligation debt for the following purposes:

- $8,095,000, issued in fiscal year 2012 and maturing in fiscal year 2029, for the partial advance refunding of $8,190,000 of the 2005 school improvement bonds. These bonds are current interest serial bonds.

- $7,659,990, issued in fiscal year 2013 and maturing in fiscal year 2032, for the partial advance refunding of $7,660,000 of the 2005 school improvement bonds. The District is required to deposit a portion of the principal and interest payments into a sinking fund, starting on December 1, 2017 related to the term bond. The schedule for the sinking fund is as follows, however the financial institution has elected to consider the amounts paid in the below schedule to reduce the liability at time of payment:

Year		Required Deposit
2019	$	40,000
2020		40,000
2021		40,000
2022		40,000
2023		45,000
2024-28		65,000
2029-30		1,010,000
Total	$	1,280,000

The remainder general obligation bond requirements are as follows:

Year		Principal	Interest	Total
2019	$	1,110,000	419,530	1,529,530
2020		655,000	385,010	1,040,010
2021		685,000	358,990	1,043,990
2022		710,000	331,870	1,041,870
2023		740,000	303,699	1,043,699
2024-28		4,140,000	1,137,825	5,277,825
2029-33		5,065,000	389,547	5,454,547
Total	$	13,105,000	3,326,471	16,431,471

Energy Conservation Bonds

The School District issued Energy Conservation Bonds totaling $1,103,964, in fiscal year 2010, for the purpose of making energy conservation improvements to the School District's various buildings. The bonds are a single term bond which do not bear interest and mature on September 1, 2024. Although the bonds are

NOTE 15 – LONG-TERM OBLIGATIONS (Continued)

not subject to mandatory sinking fund redemption, the School District covenanted to set aside deposits quarterly which are to be held by the paying agent in a separate account, to be applied to the payment of the principal amount of the bonds at maturity.

At June 30, 2018 the fair value of the sinking account (separate account maintained by paying agent) was $616,318 and is reported as restricted cash and cash equivalents with escrow agent within the general fund.

Annual deposit requirements to the sinking fund are as follows:

Year		Required Deposit
2019	$	75,964
2020		75,964
2021		75,964
2022		75,964
2023		75,964
2024-25		113,946
Total	$	493,766

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Educational Purchasing Council – The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. Each new member pays an initiation fee in addition to the annual membership fee and other appropriate assessments; however the annual membership fees for 2018 were waived. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Drive, Suite 208, Vandalia, Ohio 45377.

Metropolitan Educational Technology Association – The School District is a participant in the Metropolitan Educational Technology Association (META), which is a data acquisition site used by the School District. META is an association of public school districts in a geographic area determined by the Ohio Department of Education. META was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. During fiscal year 2018, the District contributed $87,022 to META. The Board of META consists of one representative from each of the participating members. Financial information can be obtained from David Varda, who serves as Director, at 100 Executive Drive, Marion, Ohio 43302.

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Capital Acquisition
Set-aside Cash Balance, June 30, 2017	$ -
Current Year Set-aside Requirement	790,668
Qualifying Disbursements	(67,551)
Current Year Off-Sets	(723,117)
Total	-
Balance Carried Forward to FY2019	$ -

While the School District had many qualifying expenditures during the year, only $67,551 are shown above since the permitted off-sets nearly exceeded the set-aside requirement for the fiscal year, presenting those expenditures is not necessary to demonstrate compliance. The excess of the current year off-sets over the current year set-aside requirement may not be used to reduce the set-aside requirements of future fiscal years.

NOTE 18 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

B. Full-Time Equivalency Review

Full-Time Equivalency Review – School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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. The FTE adjustment did not result in a signifcant change to the School District's funding amount.

NOTE 18 - CONTINGENCIES (Continued)

C. Litigation

The School District is not currently party to legal proceedings

NOTE 19 – TRANSFERS

The District transferred $132,564 from the General Fund to the Food Service fund in order to provide additional resources until funding was received. Additionally, the District's General Fund advanced a total $4,385 to the Strategies Secondary Transition Student with Disabilities Grant Fund ($1,610) and to Title II-A Grant Fund ($2,775) to cover costs until reimbursed by the State.

NOTE 20 – TAX ABATEMENTS

During fiscal year 2018, the District's property tax revenues were reduced by $47,632 and $2,888,697 under Community Reinvestment Area (CRA) and Enterprise Zone (EZ) agreements, respectively. The CRA agreements and EZ agreements were entered into by the City of Troy.

The Ohio Community Reinvestment Area program is an economic development tool administered by the County that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Under Ohio Revised Code section 3765 to 3735.70, city, village or county can petition the Ohio Department of Development to confirm that investment in a particular geographical area. Once the Department has confirmed the investment in the area, the community may offer real estate tax exemptions to taxpayers who are willing to invest in the area. Up to 12 years may be exempt for commercial and industrial remodeling and up to 15 years may be exempt for new construction. State law requires reimbursement agreements with school districts for tax revenue losses for CRA in place after 1994. Payments in lieu of taxes paid by the property owner directly to the school districts as required by the agreement are not reduced from the total amount of taxes abated.

The Ohio Enterprise Zone areas are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investments. EZAs are not part of the traditional zoning program, which limits the use of land; instead they allow local officials to negotiate with businesses to encourage new business investment in the zone. The EZA serves as an additional economic development tool for communities attempting to retain and expand their economic base. The EZA is a contract between the City and the company. The zone's geographic area is identified by local communities involved in the creation of the zone. Once a zone is defined, the local legislative authority participating in the creation must petition the director of the Development Services Agency. The director must then certify the area for it to become an active Enterprise Zone. Tax incentives are negotiated at the local level, and an enterprise zone agreement must be in place before the project begins. Businesses interested in pursuing these incentives should contact the local Enterprise Zone Manager.

During fiscal year 2018, the District received $337,849 related to property tax revenues lost under these abatement agreements directly from the companies.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

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

		Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:					
Taxes	$	26,168,311	27,086,120	27,086,122	2
Intergovernmental		18,252,682	18,892,864	18,892,865	1
Interest		394,690	408,533	408,533	-
Tuition and Fees		1,229,612	1,272,739	1,272,739	-
Miscellaneous		490,420	507,621	507,621	-
Total Revenues		46,535,715	48,167,877	48,167,880	3
Expenditures:					
Current:					
Instruction:					
Regular		22,732,693	22,326,459	22,326,457	2
Special		6,880,445	6,757,492	6,757,491	1
Vocational		15,184	14,913	14,913	-
Other		3,217,553	3,160,055	3,160,055	-
Support Services:					
Pupils		2,399,844	2,356,959	2,356,959	-
Instructional Staff		1,218,994	1,197,210	1,197,210	-
Board of Education		656,607	644,873	644,873	-
Administration		3,644,404	3,579,278	3,579,278	-
Fiscal		562,257	552,209	552,209	-
Business		468,457	460,086	460,086	-
Operation and Maintenance of Plant		3,446,370	3,384,783	3,384,783	-
Pupil Transportation		2,313,389	2,272,048	2,272,048	-
Central		215,723	211,868	211,868	-
Other		45,180	44,373	44,373	-
Debt Service					
Principal		77,346	75,964	75,964	-
Total Expenditures		47,894,446	47,038,570	47,038,567	3
Excess of Revenues Over (Under) Expenditures		(1,358,731)	1,129,307	1,129,313	6
Other Financing Sources (Uses):					
Advances Out		(4,236)	(4,385)	(4,385)	-
Transfers In		1,377	1,425	1,425	-
Transfers Out		(134,976)	(132,564)	(132,564)	-
Total Other Financing Sources (Uses)		(137,835)	(135,524)	(135,524)	-
Net Change in Fund Balance		(1,496,566)	993,783	993,789	6
Fund Balance, Beginning of Year		12,872,343	12,872,343	12,872,343	-
Prior Year Encumbrances Appropriated		279,965	279,965	279,965	-
Fund Balance, End of Year	$	11,655,742	14,146,091	14,146,097	6

See accompanying notes to the required supplementary information.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST FIVE MEASUREMENT PERIODS (1)

	2017	2016	2015	2014	2013
School Employees Retirement System of Ohio:					
District's Proportion of the Net Pension Liaiblity	0.198230%	0.206898%	0.211095%	0.210782%	0.210782%
District's Proprotionate Share of the Net Pension Liability	$ 11,843,772	$ 15,143,049	$ 12,045,291	$ 10,667,557	$ 12,534,529
District's Covered Payroll	$ 6,646,100	$ 6,425,493	$ 6,750,448	$ 6,186,782	$ 5,975,267
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll.	178.21%	235.67%	178.44%	172.42%	209.77%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio:					
District's Proportion of the Net Pension Liaiblity	0.18535190%	0.18047303%	0.17448756%	0.17552086%	0.17552086%
District's Proprotionate Share of the Net Pension Liability	$ 44,030,744	$ 60,409,763	$ 48,223,258	$ 42,692,748	$ 50,855,322
District's Covered Payroll	$ 20,377,171	$ 18,989,229	$ 17,562,000	$ 19,312,877	$ 18,063,338
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll.	216.08%	318.13%	274.59%	221.06%	281.54%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

See accompanying notes to the required supplementary information.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLANS
LAST EIGHT FISCAL YEARS (1)

	2018	2017	2016	2015	2014	2013	2012	2011
School Employees Retirement System of Ohio:								
Contractually Required Contribution	$ 927,276	$ 930,454	$ 899,569	$ 889,709	$ 857,488	$ 826,977	$ 956,503	$ 876,954
Contributions in Relation to the Contractually Required Contributions	(927,276)	(930,454)	(899,569)	(889,709)	(857,488)	(826,977)	(956,503)	(876,954)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	$ 6,868,711	$ 6,646,100	$ 6,425,493	$ 6,750,448	$ 6,186,782	$ 5,975,267	$ 7,111,546	$ 6,976,563
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
State Teachers Retirement System of Ohio:								
Contractually Required Contribution	$ 3,033,932	$ 2,852,804	$ 2,658,492	$ 2,458,680	$ 2,510,674	$ 2,348,234	$ 2,488,088	$ 2,562,651
Contributions in Relation to the Contractually Required Contributions	(3,033,932)	(2,852,804)	(2,658,492)	(2,458,680)	(2,510,674)	(2,348,234)	(2,488,088)	(2,562,651)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	$ 21,670,943	$ 20,377,171	$ 18,989,229	$ 17,562,000	$ 19,312,877	$ 18,063,338	$ 19,139,138	$ 19,712,700
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

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

See accompanying notes to the required supplementary information.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TWO MEASUREMENT PERIODS (1)

	2017	2016
School Employees Retirement System of Ohio:		
District's Proportion of the Net OPEB Liaiblity	0.13340290%	0.13020560%
District's Proprotionate Share of the Net OPEB Liability	$ 3,580,183	$ 3,893,610
District's Covered Payroll	$ 6,646,100	$ 6,425,493
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll.	53.87%	60.60%
Plan Fiduciary Net OPEB as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System of Ohio:		
District's Proportion of the Net OPEB Liaiblity	0.18535190%	0.18047300%
District's Proprotionate Share of the Net OPEB Liability	$ 7,231,747	$ 9,651,745
District's Covered Payroll	$ 20,377,171	$ 18,989,229
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll.	35.49%	50.83%
Plan Fiduciary Net OPEB as a Percentage of the Total OPEB Liability	47.11%	37.30%

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

See accompanying notes to the required supplementary information.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB PLANS
LAST THREE FISCAL YEARS (1)

	2018	2017	2016
School Employees Retirement System of Ohio:			
Contractually Required Contribution (2)	$ 146,930	$ 109,810	$ 95,074
Contributions in Relation to the Contractually Required Contributions	(146,930)	(109,810)	(95,074)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District Covered Payroll	$ 6,868,711	$ 6,646,100	$ 6,425,493
Contributions as a Percentage of Covered Payroll (2)	2.14%	1.65%	1.48%
State Teachers Retirement System of Ohio:			
Contractually Required Contribution	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contributions	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
District Covered Payroll	$ 21,670,943	$ 20,377,171	$ 18,989,229
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

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

(2) - In addition to the allocation of employer contributions, SERS assesses a surcharge on employers for employees earning les than an actuarially determined minimum compensation amount, which is pro-rated if less than a full year of service credit is earned.

See accompanying notes to the required supplementary information.

NOTE A - BUDGETARY

Basis of Budgeting

Basis of budgeting refers to when revenues and expenditures or expenses are recognized in the accounts. The Troy City School District's (the School District) budget for all legislated funds are prepared on a cash-encumbrance basis wherein transactions are recorded when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. Fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the School District's year-end financial statements contained in the basic financial statements. Under that basis of accounting, revenues are generally recognized when the obligation to the School District arises; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under that budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

General Budget Policies

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

All governmental funds are subject to annual expenditure budgets except for the Auxiliary Service Fund (Special Revenue Fund), which are deemed to be appropriated. The School District follows the procedures outlined below in establishing the expenditures budget data reported in the required supplementary information.

Prior to January 20, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Miami County Budget Commission for rate determination.

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary schedule reflect the amounts in the final amended certificate issued during fiscal year 2018.

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures within the individual funds, with the exception of the grant funds which are at the special cost center level. The level at which the Board of Education approves the annual appropriation resolution is the School District legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the schedule of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported within the restricted, committed or assigned designations of fund balance for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriations balance is carried forward to the subsequent fiscal year and need not be reappropriated.

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

3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

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

Net Change in Fund Balances

		General Fund
GAAP Basis	$	405,507
Revenue Accruals		422,649
Expenditure Accruals		415,276
Encumbrances		(279,965)
Transfers & Advances		(2,960)
Perspective Difference		33,282
Budget (Non-GAAP) Basis	$	993,789

The perspective difference noted in the above reconciliation is a result of reporting the Uniform School Supplies and Public School special revenue funds as a function of the General Fund for GAAP purposes as those funds no longer meet the definition of special revenue funds in accordance with GASB Statement No. 54.

NOTE B – PENSION PLANS

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

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

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

NOTE C – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

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

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

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

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

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TROY CITY SCHOOL DISTRICT
MIAMI COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Expenditures**	**Non-Cash Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	189,698	-
National School Lunch Program	10.555	712,946	126,684
Total Child Nutrition Cluster		902,644	126,684
Total U.S. Department of Agriculture		902,644	126,684
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	912,389	-
Special Education Cluster:			
Special Education Grants to States	84.027	1,023,797	-
English Language Acquisition State Grants	84.365	30,652	-
Supporting Effective Instruction State Grants	84.367	124,397	-
Student Support and Academic Enrichment Program	84.424	15,352	
Total U.S. Department of Education		2,106,587	**-**
Total Expenditures of Federal Awards		**3,009,231**	**126,684**

The accompanying notes are an integral part of this schedule.

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE E – FOOD DONATION PROGRAM

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

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

Troy City School District
Miami County
500 North Market Street
Troy, Ohio 45373

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 Troy City School District, Miami County, (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 11, 2019, wherein we noted the School 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 School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School 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 School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of reasonably assuring whether the School 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2019

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

Troy City School District
Miami County
500 North Market Street
Troy, Ohio 45373

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

The School 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 School District's compliance for the School 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 School 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 School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

The School 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 School 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 School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, 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

Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2019

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

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

TROY CITY SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2019