

NEW MIAMI LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2017

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
New Miami Local School District
600 Seven Mile Avenue
Hamilton, Ohio 45011

We have reviewed the *Independent Auditor's Report* of the New Miami Local School District, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 2, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
New Miami Local School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 on our consideration of New Miami Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Miami Local School District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 11, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the New Miami Local School District (the "School District") for the fiscal year ended June 30, 2017. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2017 are listed below:

- The assets and deferred outflows of resources the School District exceeded its liabilities and deferred inflows of resources at year-end by \$2.8 million. Of this amount, \$9.4 million is invested in capital assets, net of accumulated depreciation and related debt.
- In total, net position decreased by approximately \$839,000.
- The School District had \$10.4 million in expenses related to governmental activities; only \$1.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$8.1 million, made up primarily of property and income taxes and State Foundation payments, provided the majority of funding for these programs.
- The General Fund balance decreased by \$294,998 from \$3,581,756 at June 30, 2016 to \$3,286,758 at June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

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Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to basic financial statements and accompanying notes, this report also contains required supplementary information regarding the budget of the major fund and pension.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net Position at Fiscal Year-End

The following table presents a condensed summary of the School District's overall financial position at June 30, 2017 and 2016:

	<u>FY2017</u>	<u>FY2016</u>
Assets:		
Current and other assets	\$ 5,901,165	6,131,494
Capital assets	<u>10,560,819</u>	<u>10,758,676</u>
Total assets	<u>16,461,984</u>	<u>16,890,170</u>
Deferred outflows of resources	<u>2,507,214</u>	<u>1,290,604</u>
Liabilities:		
Long-term liabilities:		
Due more than one year:		
Net pension liability	12,715,484	10,446,320
Other long-term liabilities	1,362,639	1,513,331
Other liabilities	<u>932,681</u>	<u>871,222</u>
Total liabilities	<u>15,010,804</u>	<u>12,830,873</u>
Deferred inflows of resources	<u>1,109,510</u>	<u>1,661,944</u>
Net position:		
Net investment in capital assets	9,416,991	9,501,153
Restricted:		
For capital purposes	190,969	257,586
For debt service	148,373	93,345
For other purposes	306,115	206,180
Unrestricted (deficit)	<u>(7,213,564)</u>	<u>(6,370,307)</u>
Total net position	<u>\$ 2,848,884</u>	<u>3,687,957</u>

During 2015, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which significantly revised accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

A significant portion of the School District's net position (\$9.4 million) reflects its investment in capital assets, less any related debt to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Unrestricted net position ended the fiscal year in a deficit primarily due to the School District's recognition of its proportionate share of the net pension liabilities.

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Total assets decreased by 2.5%, while total liabilities, excluding net pension liabilities, decreased by 3.7%. The decrease in total assets was driven by decreases in cash, as a result of current year operating results, and capital assets. While the School District purchased various technology equipment and furniture during the fiscal year, depreciation expense incurred exceeded these additions, resulting in a net decrease in capital assets.

The decrease in liabilities, excluding net pension liabilities, was due to decreases in long-term debt obligations, including bonds and leases, as the School District continued to make its scheduled debt service payments. The increase in net pension liabilities was primarily due to decreases in investment earnings in both pension plans during the measurement period.

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Management's Discussion and Analysis
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B. Governmental Activities During Fiscal Year 2017

The following table presents a condensed summary of the School District's activities during fiscal year 2017 and 2016 and the resulting change in net position:

	<u>FY2017</u>	<u>FY2016</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 89,287	96,576
Operating grants and contributions	1,414,303	1,590,494
Total program revenues	<u>1,503,590</u>	<u>1,687,070</u>
General revenues:		
Property and income taxes	1,583,903	1,545,805
Grants and entitlements	6,429,658	6,377,757
Investment earnings	16,391	12,230
Miscellaneous	21,010	79,987
Total general revenues	<u>8,050,962</u>	<u>8,015,779</u>
Total revenues	<u>9,554,552</u>	<u>9,702,849</u>
Expenses:		
Instruction	5,787,979	5,176,502
Support services:		
Pupil	413,438	347,788
Instructional staff	189,434	171,650
Board of Education	82,107	166,952
Administration	1,125,911	1,043,248
Fiscal	243,754	224,969
Business	13,666	1,573
Operation and maintenance of plant	1,131,724	977,059
Pupil transportation	467,990	408,096
Central	116,052	14,062
Non-instructional services	192,684	201,012
Interest and fiscal charges	36,051	71,379
Food services	592,835	582,800
Total expenses	<u>10,393,625</u>	<u>9,387,090</u>
Change in net position	(839,073)	315,759
Beginning net position	<u>3,687,957</u>	<u>3,372,198</u>
Ending net position	<u>\$ 2,848,884</u>	<u>3,687,957</u>

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Of the total governmental activities revenues of \$9,554,552, \$1,503,590 (15.7%) is from program revenue. This means that the School District relied on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 19.7% (\$1,583,903) comes from property and income taxes and 79.9% (\$6,429,658) is from state funding. The School District's operations are reliant upon its property and income taxes and the State's foundation program.

In total, net position of the School District decreased by \$839,073, or approximately 23%. Total revenues decreased by 2%. The majority of this decrease occurred in operating grants and contributions, where the School District received lower grant awards due to timing of draws for the Special Education grant and wrapping up the last year for the Teacher Incentive Fund grant. The School District also received less Public Preschool grant funding, as the State was no longer funding three-year-olds, and reduced the number of students being funded from 50 to 41.

The School District experienced an 11% increase in total expenses, experiencing increases in several areas or functions. Focusing on the significant increases, the increase in instruction expenses was due to a new teachers contract and increased net pension expenses associated with the increase in net pension liabilities. Other sources for increases included increased maintenance expenses and increased central support services due to entering into a technology contract with Butler County Educational Service Center.

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 14% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$5,787,979 but program revenue contributed to fund 15% of those costs. Thus, general revenues of \$4,945,086 were used to support of remainder of the instruction costs.

Governmental Activities				
	Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost of Services
Instruction	\$ 5,787,979	842,893	15%	4,945,086
Support services	3,784,076	101,874	3%	3,682,202
Non-instructional services	192,684	46,811	24%	145,873
Food services	592,835	512,012	86%	80,823
Interest and fiscal charges	36,051	-	0%	36,051
Total	\$ 10,393,625	1,503,590	14%	8,890,035

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Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District's only major governmental fund is the General Fund.

Assets of the General Fund comprise \$5,088,974 (86%) of the total \$5,949,058 in governmental funds' assets. Fund balance at June 30, 2017 was \$3,286,758, with a fund balance of \$3,267,727 assigned to the subsequent year's appropriations and public school support. The General Fund experienced a \$294,998 decrease in fund balance, as the reasons for the increases in expenditures were the same as was discussed for governmental activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. Overall, General Fund expenditures came in \$791,155 under the final budget due to conservative budgeting.

Significant differences between the actual and final budgets exist due to the School District's budget methodology. The School District's budget is passed with expenditures and other uses equal to the estimated available resources. Thus, the School District "over budgets" expenditures and budgets for contingencies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2017, the School District had invested in a broad range of capital assets, including land, buildings and equipment. During fiscal year 2017, the School District acquired \$185,044 in equipment and furniture, but incurred \$369,964 in depreciation expense, leading to the decrease in capital assets of approximately \$198,000. See Note 5 to the financial statements for more detail.

**Capital Assets at Year-End
(Net of Depreciation)**

		<u>FY2017</u>	<u>FY2016</u>
Land	\$	428,932	428,932
Buildings and improvements		9,607,792	9,882,244
Equipment and furniture		<u>524,095</u>	<u>447,500</u>
Total	\$	<u>10,560,819</u>	<u>10,758,676</u>

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Debt

During the year ended June 30, 2017, the School District made its regularly scheduled payments for general obligation bonds and leases, with no new debt issuances during the fiscal year. The total amount outstanding on bonds and leases was \$1,127,201 as of June 30, 2017. See Notes 11 and 12 to the financial statements for more detail.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and 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 the New Miami Local School District, 600 Seven Mile Avenue, Hamilton, Ohio 45011.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,187,967
Receivables:	
Taxes	1,301,983
Accounts	18,693
Intergovernmental	374,803
Supplies inventory	17,719
Nondepreciable capital assets	428,932
Depreciable capital assets, net	<u>10,131,887</u>
Total assets	<u>16,461,984</u>
Deferred Outflows of Resources:	
Deferred charges on refunding	35,183
Pension	<u>2,472,031</u>
Total deferred outflows of resources	<u>2,507,214</u>
Liabilities:	
Accounts payable	204,224
Accrued wages and benefits	626,233
Intergovernmental payable	99,032
Accrued interest payable	3,192
Noncurrent liabilities:	
Due within one year	261,372
Due within more than one year:	
Net pension liability	12,715,484
Other amounts due more than one year	<u>1,101,267</u>
Total liabilities	<u>15,010,804</u>
Deferred Inflows of Resources:	
Property taxes levied for next fiscal year	1,005,220
Pension	<u>104,290</u>
Total deferred inflows of resources	<u>1,109,510</u>
Net Position:	
Net investment in capital assets	9,416,991
Restricted for:	
Capital projects	190,969
Debt service	148,373
Other purposes	306,115
Unrestricted (deficit)	<u>(7,213,564)</u>
Total net position	<u>\$ 2,848,884</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Activities

Fiscal Year Ended June 30, 2017

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Current:				
Instruction:				
Regular	\$ 4,266,936	\$ 4,815	\$ 625,780	\$ (3,636,341)
Special education	1,337,335	-	171,163	(1,166,172)
Other	183,708	-	41,135	(142,573)
Support services:				
Pupil	413,438	-	3,989	(409,449)
Instructional staff	189,434	-	35,228	(154,206)
Board of Education	82,107	-	-	(82,107)
Administration	1,125,911	-	1,898	(1,124,013)
Fiscal	243,754	-	-	(243,754)
Business	13,666	-	-	(13,666)
Operation and maintenance of plant	1,131,724	-	29,809	(1,101,915)
Pupil transportation	467,990	-	30,950	(437,040)
Central	116,052	-	-	(116,052)
Non-instructional services:				
Extracurricular activities	192,684	46,811	-	(145,873)
Food service	592,835	37,661	474,351	(80,823)
Interest on long-term debt	36,051	-	-	(36,051)
Total Governmental Activities	<u>\$ 10,393,625</u>	<u>\$ 89,287</u>	<u>\$ 1,414,303</u>	<u>(8,890,035)</u>
General Revenues:				
Property taxes, levied for general purposes				874,453
Property taxes, levied for debt services				118,768
Property taxes, levied for capital maintenance				19,623
Income taxes				571,059
Grants and entitlements not restricted to specific programs				6,429,658
Investment earnings				16,391
Miscellaneous				21,010
Total general revenues				<u>8,050,962</u>
Change in net position				(839,073)
Net position beginning of year				3,687,957
Net position end of year				<u>\$ 2,848,884</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 3,844,896	\$ 343,071	\$ 4,187,967
Receivables:			
Taxes	1,174,456	127,527	1,301,983
Accounts	15,253	3,440	18,693
Intergovernmental	5,346	369,457	374,803
Materials and supplies inventory	1,130	16,589	17,719
Interfund receivable	47,893	-	47,893
Total assets	<u>\$ 5,088,974</u>	<u>\$ 860,084</u>	<u>\$ 5,949,058</u>
Liabilities:			
Accounts payable	\$ 186,495	\$ 17,729	\$ 204,224
Accrued wages and benefits	544,035	82,198	626,233
Intergovernmental payable	92,606	6,426	99,032
Interfund payable	-	47,893	47,893
Compensated absences payable	24,702	3,013	27,715
Total liabilities	<u>847,838</u>	<u>157,259</u>	<u>1,005,097</u>
Deferred Inflows of Resources:			
Property taxes levied for next fiscal year	887,988	117,232	1,005,220
Unavailable revenue	66,390	281,188	347,578
Total deferred inflows of resources	<u>954,378</u>	<u>398,420</u>	<u>1,352,798</u>
Fund Balances:			
Nonspendable	1,130	16,589	17,719
Restricted	-	350,872	350,872
Assigned	3,267,727	-	3,267,727
Unassigned	17,901	(63,056)	(45,155)
Total fund balances	<u>3,286,758</u>	<u>304,405</u>	<u>3,591,163</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,088,974</u>	<u>\$ 860,084</u>	<u>\$ 5,949,058</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balances \$ 3,591,163

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. 10,560,819

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

General obligation bonds	985,000	
Premium on refunding bonds	51,810	
Compensated absences	155,913	
Capital lease payable	59,201	
Lease-purchase agreement	83,000	
Accrued interest payable	<u>3,192</u>	(1,338,116)

Deferred outflows of resources from losses on refunding are amortized over the life of the bonds and are not reported in the funds. 35,183

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 347,578

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows and inflows of resources are not reported in the governmental funds:

Deferred outflows - pension	2,472,031	
Deferred inflows - pension	(104,290)	
Net pension liability	<u>(12,715,484)</u>	<u>(10,347,743)</u>

Net Position of Governmental Activities \$ 2,848,884

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,478,190	\$ 141,684	\$ 1,619,874
Tuition and fees	4,815	-	4,815
Interest	16,391	-	16,391
Intergovernmental	6,480,730	1,255,878	7,736,608
Charges for services	-	35,525	35,525
Other local revenues	<u>31,161</u>	<u>49,597</u>	<u>80,758</u>
Total revenues	<u>8,011,287</u>	<u>1,482,684</u>	<u>9,493,971</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,248,298	480,719	3,729,017
Special education	1,082,842	174,950	1,257,792
Other instruction	142,187	41,521	183,708
Support services:			
Pupil	399,005	5,350	404,355
Instructional staff	146,539	34,885	181,424
Board of Education	79,342	-	79,342
Administration	1,045,177	4,792	1,049,969
Fiscal	218,341	-	218,341
Business	13,666	-	13,666
Operation and maintenance of plant	1,077,165	115,697	1,192,862
Pupil transportation	445,712	22,278	467,990
Central	116,052	-	116,052
Non-instructional services:			
Extracurricular activities	161,080	41,974	203,054
Food services	-	574,798	574,798
Debt Service:			
Principal	17,179	93,494	110,673
Interest and fiscal charges	<u>2,768</u>	<u>131,545</u>	<u>134,313</u>
Total expenditures	<u>8,195,353</u>	<u>1,722,003</u>	<u>9,917,356</u>
Deficiency of revenues under expenditures	<u>(184,066)</u>	<u>(239,319)</u>	<u>(423,385)</u>
Other financing sources (uses):			
Transfers in	-	110,932	110,932
Transfers out	<u>(110,932)</u>	<u>-</u>	<u>(110,932)</u>
Total other financing sources (uses):	<u>(110,932)</u>	<u>110,932</u>	<u>-</u>
Net change in fund balance	(294,998)	(128,387)	(423,385)
Fund balance, beginning of year	<u>3,581,756</u>	<u>432,792</u>	<u>4,014,548</u>
Fund balance, end of year	<u>\$ 3,286,758</u>	<u>\$ 304,405</u>	<u>\$ 3,591,163</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ (423,385)
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:	
Capital asset additions	185,044
Depreciation expense	(369,964)
Losses on the sale or disposal of capital assets are reported on the statement of activities and not as expenditures of the governmental funds.	(12,937)
Repayment of bond, lease-purchase and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	110,673
In the statement of activities, interest is accrued and accreted on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	95,240
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Compensated absences	(21,708)
Amortization of bond premiums	9,420
Amortization of deferred amount on refunding	(6,398)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.	71,582
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	659,813
Except for amounts reported as deferred outflows or deferred inflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.	<u>(1,136,453)</u>
Change in Net Position of Governmental Activities	\$ <u>(839,073)</u>

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2017

	Private Purpose Trusts	Agency Funds
ASSETS		
Equity in pooled cash and cash equivalents	<u>\$ 46,807</u>	<u>\$ 21,347</u>
LIABILITIES		
Accounts payable	\$ 12,000	\$ -
Due to student groups	<u>-</u>	<u>21,347</u>
Total liabilities	<u>12,000</u>	<u>\$ 21,347</u>
NET POSITION		
Held in trust	<u>\$ 34,807</u>	

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Changes in Net Position

Fiduciary Funds

Fiscal Year Ended June 30, 2017

	<u>Private Purpose Trusts</u>
Additions:	
Contributions	\$ 22,486
Total additions	<u>22,486</u>
Deductions:	
Community gifts, awards and scholarships	<u>12,000</u>
Total deductions	<u>12,000</u>
 Change in net position	 10,486
 Net position, beginning of year	 <u>24,321</u>
Net position, end of year	<u><u>\$ 34,807</u></u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Miami Local School District (the "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. Reporting Entity

The School District provides education for New Miami, City View Heights, Overpeck and Williamsdale. The School District was chartered in 1937 and currently operates one elementary school (K-6) and one junior-senior high school (7-12) with a total enrollment of approximately 630 students. The School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

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

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 otherwise assumed the 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 issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with three organizations; two of which are defined as a jointly governed organization and one is an insurance purchasing pool. These organizations include the Butler Technology and Career Development Schools, the Southwestern Ohio Computer Association, and the Butler Health Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

B. Basis of Presentation

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore 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 which 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 Fund financial statements report detailed information about the School District. The focus of governmental 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. Fiduciary funds are reported by fund type.

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

C. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 funds of the School District are grouped into the categories governmental and fiduciary.

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, liabilities and deferred inflows of resources is reported as fund balance. The following is the School District's only major governmental fund:

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

Fiduciary funds report on net position and changes in net position. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District's private-purpose trust funds account for scholarship programs for students. Agency funds used by the School District to account for student activities are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made. The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and 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. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, income taxes, interest, tuition, student fees, and grants.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

D. Basis of Accounting – *continued*

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 except for unmatured principal and interest on general long-term debt as well as expenditures related to compensated absences which are recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, fiduciary funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues - Exchange and Non-exchange transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property and income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were 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 non-exchange transactions must also be available before it can be recognized.

Deferred inflows of resources. 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(s) and so will not be recognized as an inflow of resources until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue and pension. Receivables for property taxes represent amounts that are measurable as of June 30, 2017, but are intended to finance fiscal year 2018 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end). Deferred inflows of resources from pension are reported on the government-wide statement of net position (see Note 8).

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

D. Basis of Accounting – *continued*

Deferred outflows of resources. In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For the School District, deferred outflows of resources include deferred charge on refunding and pension. A deferred charge on refunding results from the difference in 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. Deferred outflows of resources from pension are reported on the government-wide statement of net position (see Note 8)

E. Cash

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

The Governmental Accounting Standards Board Statement No. 72 (GASB 72), "Fair Value Measurement and Application", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

F. Inventory

All inventories are valued at cost determined on a first-in, first-out basis. Inventory in governmental funds are recorded as expenditures in the governmental fund types when used.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$250 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their acquisition values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

G. Capital Assets – *continued*

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	20 - 25 years
Equipment and furniture	7-20 years

H. 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. Sick leave benefits are accrued as a liability using the vesting method.

The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

J. Interfund Transactions

On fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net position.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

K. Pensions

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

L. Fund Balance

Fund balance is divided into five classifications 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 classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The School District does not currently have any committed fund balances.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

L. Fund Balance – *continued*

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

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

M. Net Position

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

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

N. Estimates

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

O. Fund Deficits

At June 30, 2017, the following funds have a deficit fund balance:

Food Service	\$	14,498
High Schools To Work		856
Special Education		11,751
Title I		19,362

The deficit fund balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

2. DEPOSITS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies are permitted to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

2. DEPOSITS—*continued*

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures".

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At fiscal year end, \$250,000 of the School District's bank balance of \$4,374,455 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

3. INCOME TAXES

Effective in 1990, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2017, the School District recorded income tax revenue of \$571,059 in the entity-wide financials and a receivable as of June 30, 2017 of \$219,066.

4. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District 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 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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of the prior January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property taxes revenue received in calendar year 2017 represent collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016 and are collected in calendar year 2017 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 Butler 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, 2017 are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2017, was \$35,012 in the General Fund, and \$5,718 in Other Governmental Funds. The assessed values upon which fiscal year 2017 taxes were collected are:

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

4. PROPERTY TAXES—continued

	2016 Second-Half Collections		2017 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 42,314,370	93.13%	42,134,630	92.51%
Public Utilities Personal	<u>3,123,270</u>	6.87%	<u>3,411,590</u>	7.49%
Total Assessed Value	\$ <u>45,437,640</u>	100.00%	<u>45,546,220</u>	100.00%

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017 was as follows:

	Balance 7/1/16	Additions	Disposals	Balance 6/30/17
Governmental Activities				
Nondepreciable:				
Land	\$ 428,932	-	-	428,932
Depreciable:				
Buildings and improvements	13,722,653	-	-	13,722,653
Equipment and furniture	<u>2,165,174</u>	<u>185,044</u>	<u>(70,956)</u>	<u>2,279,262</u>
Subtotal	<u>15,887,827</u>	<u>185,044</u>	<u>(70,956)</u>	<u>16,001,915</u>
Totals at historical cost	<u>16,316,759</u>	<u>185,044</u>	<u>(70,956)</u>	<u>16,430,847</u>
Less accumulated depreciation:				
Buildings and improvements	3,840,409	274,452	-	4,114,861
Equipment and furniture	<u>1,717,674</u>	<u>95,512</u>	<u>(58,019)</u>	<u>1,755,167</u>
Total accumulated depreciation	<u>5,558,083</u>	<u>369,964</u>	<u>(58,019)</u>	<u>5,870,028</u>
Capital assets, net	\$ <u>10,758,676</u>	<u>(184,920)</u>	<u>(12,937)</u>	<u>10,560,819</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 356,772
Special	1,315
Support services:	
Administration	3,302
Operation and maintenance of plant	8,104
Food services	<u>471</u>
Total depreciation expense	\$ <u>369,964</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

6. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2017 consisted of the following interfund receivables/payables and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General fund	\$ 47,893	-	-	110,932
Other governmental funds	-	47,893	110,932	-
	<u>\$ 47,893</u>	<u>47,893</u>	<u>110,932</u>	<u>110,932</u>

The interfund loans were made to provide operating capital. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the general fund to finance various programs and debt service accounted for in other funds in accordance with budgetary authorizations.

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District maintained comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

For fiscal year 2017, the School District participated in the Butler Health Plan, a group insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Plan provides insurance policies in whole or in part through one or more group insurance policies.

8. 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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

8. PENSION PLANS—*continued*

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 manner in which 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 contributions outstanding at the end of the 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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

8. PENSION PLANS—continued

Age and service requirements for retirement are as follows:

Benefits	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 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 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, 2017, the allocation to pension, death benefits, and Medicare B was 14%.

The School District's contractually required contribution to SERS was \$155,255 for fiscal year 2017. Of this amount, \$17,664 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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

8. 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 year 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, member contributions 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 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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

8. PENSION PLANS—continued

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. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and was increased 1% each year until it reached 14% on July 1, 2016. For the fiscal year ended June 30, 2017, 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 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$504,558 for fiscal year 2017. Of this amount, \$81,368 is recorded 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, 2016, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,546,951	\$10,168,533	\$12,715,484
Proportion of the Net Pension Liability	0.3480%	0.03038%	
Change in Proportion	0.0002%	-0.00028%	
Pension Expense	\$308,537	\$827,916	\$1,136,453

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

8. PENSION PLANS—continued

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 34,352	\$ 410,858	\$ 445,210
Net difference between projected and actual earnings on pension plan investments	210,085	844,261	1,054,346
Change in assumptions	170,022	-	170,022
Change in proportionate share and difference between employer contributions	137,883	4,757	142,640
School District's contributions subsequent to the measurement date	<u>155,255</u>	<u>504,558</u>	<u>659,813</u>
Total Deferred Outflows of Resources	<u>\$ 707,597</u>	<u>\$ 1,764,434</u>	<u>\$ 2,472,031</u>
Deferred Inflows of Resources			
Change in proportionate share and difference between employer contributions	<u>\$ -</u>	<u>\$ 104,290</u>	<u>\$ 104,290</u>
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 104,290</u>	<u>\$ 104,290</u>

\$659,813 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ 167,074	\$ 174,235	\$ 341,309
2019	166,923	174,235	341,158
2020	157,954	498,204	656,158
2021	60,391	308,912	369,303
	<u>\$ 552,342</u>	<u>\$ 1,155,586</u>	<u>\$ 1,707,928</u>

Actuarial Assumptions - SERS

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

8. PENSION PLANS—continued

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%, including inflation
COLA or Ad Hoc COLA	3.00%
Investment Rate of Return	7.50% net of investment 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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

8. PENSION PLANS—continued

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
U.S. Equity	22.50	4.75
International Equity	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 %	

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

Sensitivity of the 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 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$3,372,005	\$2,546,951	\$1,856,347

Change in Assumptions – The following changes in actuarial assumptions was made during the June 30, 2016 actuarial valuation period:

- Discount rate was reduced from 7.75% to 7.50%
- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll growth assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

8. PENSION PLANS—*continued*

- Mortality among active members was updated to the following:
 - 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 was updated to the following:
 - 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 was updated to the following:
 - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.75% net of investment expenses
COLA	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

8. PENSION PLANS—continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate – The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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 7.75%, 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 (6.75%) or one-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$13,513,154	\$10,168,533	\$7,347,148

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

8. PENSION PLANS—continued

Changes Between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75% to 7.45%. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's net pension liability is expected to be significant.

Social Security System

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2017 members of the Board of Education have elected social security. The School District's liability is 6.2% of wages paid.

9. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder for the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2016, the health care allocation is 0.00%. 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. By statute, no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2017, this amount was \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal year 2017, the School District's surcharge obligation was \$17,664.

None of the 14% employer contribution was allocated to the Health Care Fund for the fiscal years June 30, 2017 and 2016. The School District's contributions for health care for the fiscal year June 30, 2015 was \$9,000.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

9. POSTEMPLOYMENT BENEFITS—*continued*

The SERS Retirement Board establishes 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.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. 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 Ohio to offer the Plan and gives the Retirement Board 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 Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. STRS did not allocate a portion of the employer contributions to post-employment health care in fiscal years June 30 2017, 2016 and 2015.

10. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 200 days for classified employees and teachers, and 253 days for administrators. Upon retirement, classified employee can receive payment for 25% of accrued, but unused sick leave up to a maximum of 50 days; teachers and administrators can receive payment for 30% of accrued, but unused sick leave up to a maximum of 55 days.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term liabilities during fiscal year 2017 were as follows:

	Principal Outstanding 7/1/16	Additions	Deletions	Principal Outstanding 6/30/17	Due Within One Year
Series 2010 refunding bonds	\$ 1,039,494	-	(54,494)	985,000	150,000
Premium on refunding bonds	61,230	-	(9,420)	51,810	-
Accreted interest on bonds	80,022	10,484	(90,506)	-	-
Lease-purchase agreements	122,000	-	(39,000)	83,000	40,000
Capital lease	76,380	-	(17,179)	59,201	17,885
Compensated absences	134,205	67,293	(17,870)	183,628	53,487
Net pension liability:					
STRS	8,472,438	1,696,095	-	10,168,533	-
SERS	1,973,882	573,069	-	2,546,951	-
	<u>\$ 11,959,651</u>	<u>2,346,941</u>	<u>(228,469)</u>	<u>14,078,123</u>	<u>261,372</u>

On May 24, 2010, the School District issued Series 2010 school improvement refunding bonds to refund \$1,235,000 of the Series 2000 bonds that were originally issued to construct a new building and renovate the junior/senior high school building. These bonds were issued at interest rates between 2.1% to 3.8% with final maturity at December 1, 2022 and will be retired from the debt service fund.

On August 13, 2009, the School District entered into a lease-purchase agreement in the amount of \$124,000 for football bleachers through the Ohio Association of School Business Official's Leased Asset Program. The payments are made from the debt service fund and will mature in December 2018.

In March 2004, the School District entered into a lease-purchase agreement in the amount of \$306,000 for school improvements through the Ohio Association of School Business Official's Leased Asset Program. The payments are made from the debt service fund and will mature in December 2018.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid, typically the General Fund. The School District's voted legal debt margin was \$3,114,160 with an unvoted debt margin of \$45,546 at June 30, 2017.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

11. LONG-TERM OBLIGATIONS—continued

Principal and interest requirements to retire the Series 2010 bonds at June 30, 2017 are:

Fiscal Year Ending June 30,		Principal	Interest	Total
2018	\$	150,000	32,462	182,462
2019		155,000	27,695	182,695
2020		165,000	22,287	187,287
2021		170,000	16,255	186,255
2022		180,000	9,690	189,690
2023		165,000	3,135	168,135
Total	\$	<u>985,000</u>	<u>111,524</u>	<u>1,096,524</u>

Principal and interest requirements to retire the lease-purchase agreements at June 30, 2017 are:

Fiscal Year Ending June 30,		Principal	Interest	Total
2018	\$	40,000	2,673	42,673
2019		43,000	907	43,907
Total	\$	<u>83,000</u>	<u>3,580</u>	<u>86,580</u>

12. CAPITAL LEASES – LESSEE DISCLOSURE

During the prior fiscal year, the School District entered into a lease agreement for copiers in the amount of \$89,947. The lease meets the criteria of a capital lease as defined by generally accepted accounting principles. In the case of the copier lease, the term is sixty months. The net book value of capital lease equipment at June 30, 2017 was \$53,969. Capital lease payments have been reflected as debt service expenditures within the General Fund.

The following schedule of the future minimum lease payments for the capital lease and the present value of the future minimum lease payments at June 30, 2017:

Fiscal Year Ending June 30,		
2018	\$	19,947
2019		19,947
2020		19,947
2021		<u>3,324</u>
Total		63,165
Less amount representing interest		<u>(3,964)</u>
Present value of minimum lease payments	\$	<u>59,201</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

13. FUND BALANCES

Fund balance is classified as nonspendable, restricted, 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 fund and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>			
Inventory	\$ 1,130	16,589	17,719
<i>Restricted for</i>			
Private Grants and Donations	-	6,630	6,630
Classroom Facilities Maintenance	-	178,853	178,853
Athletics	-	3,453	3,453
State Grant Programs	-	2,354	2,354
Federal Grant Programs	-	478	478
Debt Service Payments	-	147,745	147,745
Capital Improvements	-	11,359	11,359
<i>Total Restricted</i>	-	350,872	350,872
<i>Assigned to</i>			
Public School Support	16,144	-	16,144
Budget Resource	3,251,583	-	3,251,583
<i>Total Assigned</i>	3,267,727	-	3,267,727
<i>Unassigned (Deficit)</i>	17,901	(63,056)	(45,155)
<i>Total Fund Balance</i>	\$ 3,286,758	304,405	3,591,163

14. INSURANCE PURCHASING POOL

Butler Health Plan

The School District participates in the Butler Health Plan, an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from Butler Health Plan at P. O. Box 526, Middletown, Ohio 45042.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

15. JOINTLY GOVERNED ORGANIZATIONS

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools (Butler Tech), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Butler Tech was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Butler Tech. To obtain financial information, write to Butler Tech, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Southwestern Ohio Computer Association

The Southwestern Ohio Computer Association (SWOCA) was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the three county consortiums supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

16. CONTINGENCIES

Litigation

The School District's attorney estimates that potential claims against the School District from legal proceedings would not materially affect the financial statements of the School District.

State and Federal Funding

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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

17. REQUIRED SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2016	\$ -
Current year set-aside requirement	121,047
Current year qualifying expenditures	(305,547)
Current year offsets	<u>(50,517)</u>
Total	\$ <u><u>(235,017)</u></u>
Balance carried forward to fiscal year 2018	\$ <u><u>-</u></u>

Excess qualified expenditures for capital improvements do not carry forward.

REQUIRED SUPPLEMENTARY INFORMATION

NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund
 Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 General Fund
 Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 1,456,500	\$ 1,493,433	\$ 1,493,433	\$ -
Interest	12,000	16,389	16,389	-
Intergovernmental	6,430,854	6,478,392	6,478,392	-
Other local revenues	7,300	6,201	6,201	-
Total revenues	<u>7,906,654</u>	<u>7,994,415</u>	<u>7,994,415</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,378,754	3,618,287	3,251,971	366,316
Special education	969,196	1,138,596	1,088,999	49,597
Other instruction	152,575	155,275	148,129	7,146
Support services:				
Pupil	423,166	428,216	396,209	32,007
Instructional staff	132,541	156,191	145,913	10,278
Board of Education	157,897	164,547	78,934	85,613
Administration	1,154,637	1,175,589	1,059,077	116,512
Fiscal	218,467	233,567	228,830	4,737
Business	13,000	18,200	13,666	4,534
Operation and maintenance of plant	915,056	1,130,747	1,107,980	22,767
Pupil transportation	478,743	479,243	446,625	32,618
Central	126,892	126,892	116,052	10,840
Non-instructional services:				
Extracurricular activities	157,874	166,974	158,784	8,190
Capital outlay	40,000	40,000	-	40,000
Total expenditures	<u>8,318,798</u>	<u>9,032,324</u>	<u>8,241,169</u>	<u>791,155</u>
Excess of revenues over/(under) expenditures	(412,144)	(1,037,909)	(246,754)	791,155
Other financing sources (uses):				
Transfers out	(80,000)	(111,000)	(110,932)	68
Advances in	117,226	117,226	117,226	-
Advances out	-	(48,274)	(47,893)	381
Other uses	(3,557,466)	(2,853,731)	-	2,853,731
Other sources	-	1,304	1,304	-
Total other financing sources (uses):	<u>(3,520,240)</u>	<u>(2,894,475)</u>	<u>(40,295)</u>	<u>2,854,180</u>
Net change in fund balance	(3,932,384)	(3,932,384)	(287,049)	\$ 3,645,335
Fund balance, beginning of year	3,895,201	3,895,201	3,895,201	
Prior year encumbrances appropriated	37,183	37,183	37,183	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,645,335</u>	

See accompanying notes to required supplementary information.

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of School District's Proportionate Share of Net Pension Liability

School Employees Retirement System of Ohio

Last Four Measurement Periods (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.03480%	0.03459%	0.02983%	0.02983%
School District's Proportionate Share of the Net Pension Liability	\$ 2,546,951	\$ 1,973,882	\$ 1,509,477	\$ 1,773,656
School District's Covered Payroll	\$ 1,031,771	\$ 1,137,003	\$ 875,426	\$ 915,311
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	246.85%	173.60%	172.43%	193.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

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

See accompanying notes to required supplementary information.

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of School District's Proportionate Share of Net Pension Liability

State Teachers Retirement System of Ohio

Last Four Measurement Periods (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.03038%	0.03066%	0.03062%	0.03062%
School District's Proportionate Share of the Net Pension Liability	\$ 10,168,533	\$ 8,472,438	\$ 7,448,688	\$ 8,872,829
School District's Covered Payroll	\$ 3,593,664	\$ 3,475,986	\$ 3,369,554	\$ 3,254,238
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	282.96%	243.74%	221.06%	272.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.78%	72.09%	74.70%	69.30%

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

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 155,255	\$ 144,448	\$ 149,857	\$ 121,334	\$ 126,679
Contributions in Relation to the Contractually Required Contributions	<u>(155,255)</u>	<u>(144,448)</u>	<u>(149,857)</u>	<u>(121,334)</u>	<u>(126,679)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 1,108,964	\$ 1,031,771	\$ 1,137,003	\$ 875,426	\$ 915,311
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

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

See accompanying notes to required supplementary information.

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 504,558	\$ 503,113	\$ 486,638	\$ 438,042	\$ 423,051
Contributions in Relation to the Contractually Required Contributions	<u>(504,558)</u>	<u>(503,113)</u>	<u>(486,638)</u>	<u>(438,042)</u>	<u>(423,051)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,603,986	\$ 3,593,664	\$ 3,475,986	\$ 3,369,554	\$ 3,254,238
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%

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

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Fiscal Year Ended June 30, 2017

Note A Budgetary Basis of Accounting

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 Balances - Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as an expenditure when liquidated (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

Net change in fund balance - GAAP Basis	\$	<u>(294,998)</u>
Increase / (decrease):		
Due to inclusion of Uniform School Supply Fund		(4,359)
Due to inclusion of Rotary Fund		(128)
Due to inclusion of Public School Support Fund		822
Due to revenues		2,103
Due to expenditures		103,990
Due to other sources (uses)		70,637
Due to encumbrances		<u>(165,116)</u>
Net change in fund balance - Budget Basis	\$	<u><u>(287,049)</u></u>

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information - *continued*
Fiscal Year Ended June 30, 2017

Note B SERS Change in Assumptions

Amounts reported in June 30, 2017 reflect the following adjustments:

- Discount rate was reduced from 7.75% to 7.50%;
- Assumed rate of inflation was reduced from 3.25% to 3.00%;
- Payroll growth assumption was reduced from 4.00% to 3.50%;
- Assumed real wage growth was reduced from 0.75% to 0.50%;
- Rates of withdrawal, retirement and disability were updated to reflect recent experience;
- Mortality among active members was updated to the following:
 - 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 was updated to the following:
 - 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 was updated to the following:
 - RP-2000 Disability Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

New Miami Local School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2017

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	2017	10.555	\$ 28,350	28,350
<i>Cash Assistance:</i>				
School Breakfast Program	2017	10.553	123,852	123,852
National School Lunch Program	2017	10.555	<u>286,081</u>	<u>286,081</u>
<i>Cash Assistance Subtotal</i>			<u>409,933</u>	<u>409,933</u>
Nutrition Cluster Total			<u>438,283</u>	<u>438,283</u>
Fresh Fruit and Vegetable Program	2017	10.582	<u>20,756</u>	<u>20,756</u>
Total U.S. Department of Agriculture			<u>459,039</u>	<u>459,039</u>
U.S. Department of Education:				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	S010A150035	84.010	2,090	53,702
Title I Grants to Local Educational Agencies	S010A160035	84.010	<u>249,112</u>	<u>295,149</u>
			<u>251,202</u>	<u>348,851</u>
Special Education Cluster:				
Special Education - Grants to States	H027A160111	84.027	147,659	147,659
Special Education - Preschool Grants	H173A160111	84.173	<u>3,104</u>	<u>3,104</u>
Special Education Cluster Total			<u>150,763</u>	<u>150,763</u>
Supporting Effective Instruction State Grant	S367A160034	84.367	37,526	37,526
Teacher Incentive Fund	2017	84.374	<u>68,909</u>	<u>24,097</u>
Total U.S. Department of Education			<u>508,400</u>	<u>561,237</u>
Total Federal Awards			<u>\$ 967,439</u>	<u>1,020,276</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the New Miami Local School District (the "District") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - FOOD DISTRIBUTION

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

NOTE D - NUTRITION CLUSTER

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

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

To the Board of Education
New Miami Local School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District ("School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 11, 2017



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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
New Miami Local School District:

Report on Compliance for Each Major Federal Program

We have audited New Miami Local School District's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2017. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 11, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued :	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

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

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section III – Federal Award Findings and Questioned Costs

None



Dave Yost • Auditor of State

NEW MIAMI LOCAL SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2018**