NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2017

With Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & Advisors

Dave Yost • Auditor of State

Board of Education
New Richmond Exempted Village School District
212 Market Street, 2nd Floor
New Richmond, Ohio 45157

We have reviewed the *Independent Auditor's Report* of the New Richmond Exempted Village School District, Clermont 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 Richmond Exempted Village School District is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

February 2, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
New Richmond Exempted Village 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 Richmond Exempted Village 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 general 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 Richmond Exempted Village 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 New Richmond Exempted Village 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 taken 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 the 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District 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 Richmond Exempted Village School District ("the School District") for the 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 of the School District exceeded its liabilities and deferred inflows of resources at year-end by approximately $3.8 million.
- In total, net position decreased by approximately $3.3 million.
- The School District had $32 million in expenses related to governmental activities; $5.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of approximately $23.3 million made up primarily of property taxes and State Foundation payments was used to provide for these programs.
- The General Fund's fund balance decreased by approximately $1.5 million to $22.8 million 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 other 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).

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 does not have any 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. In addition, the School District may also establish 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. The accounting used for fiduciary funds is similar to proprietary funds.

Notes to the basic financial statements*.* The notes provide 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 the basic financial statements and accompanying notes, this report also contains required supplementary information for the budget of the General Fund and pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at year-end

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

		FY2017	FY2016
Current and other assets	$	35,897,097	38,555,349
Capital assets		19,709,629	19,747,240
Total assets		55,606,726	58,302,589
Deferred outflows of resources		8,178,982	3,921,479
Long-term liabilities:			
Net pension liability		43,480,275	37,227,123
Other long-term liabilities		2,711,497	2,577,340
Other liabilities		2,587,217	3,326,463
Total liabilities		48,778,989	43,130,926
Deferred inflows of resources		11,224,203	12,044,919
Net position:			
Investment in capital assets		19,709,629	19,747,240
Restricted:			
Other purposes		326,453	465,252
Unrestricted (deficit)		(16,253,566)	(13,164,269)
Total net position	$	3,782,516	7,048,223

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.

As required by GASB Statement No. 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 part 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 Statement No. 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. The School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

The largest portion of the School District's net position is in investment in capital assets. The School District uses these capital assets to provide educational services to its students. Accordingly, these assets are not available for future spending. An additional portion of the School District's net position ($326,453) represents resources that are subject to external restrictions on how they may be used.

Due to the recognition of its proportionate share of the net pension liabilities, the School District's unrestricted net position ended the fiscal year with a deficit balance of $16.3 million.

Total assets decreased by approximately $2.7 million, or 4.6%. The majority of this decrease occurred with current and other assets, primarily due to decreases in cash and investments, as the School District continued work on its 5-year capital improvement plan, and decreases in taxes receivable, due to a decrease in anticipated property tax collections, with a recent devaluation of the Zimmer Power Plant. The owner of the plant, Dynergy Inc., filed tax documents with the Ohio Department of Taxation for a $42.5 million reduction in taxable values, beginning in 2017.

Total liabilities, excluding net pension liabilities, decreased by approximately $605,000, or 10.2%. The decrease was due to decreases in accounts payable, and timing of project-related invoices, and in accrued wages, with four pay dates remaining, compared to five pay dates in the previous fiscal year. The net pension liabilities, associated with the School District's participation in State-wide, cost-sharing, multiple employer pension plans, increased by approximately $6.3 million, or 16.8%, primarily due to decreases in investment earnings in both pension plans during the measurement period.

B. Governmental Activities

The following table presents a condensed summary of the School District's activities for the years ended June 30, 2017 and 2016:

		FY2017	FY2016
Revenues:			
Program revenues:			
Charges for services and sales	$	3,201,266	2,953,606
Operating grants and contributions		2,242,519	2,178,485
Total program revenues		5,443,785	5,132,091
General revenues:			
Property taxes		11,401,299	14,491,523
Grants and entitlements		11,368,682	11,940,746
Investment earnings		172,876	289,169
Miscellaneous		368,486	237,809
Total general revenues		23,311,343	26,959,247
Total revenues		28,755,128	32,091,338
Expenses:			
Instruction		20,202,393	18,637,096
Support services:			
Pupil		1,216,359	952,559
Instructional staff		521,910	445,699
Board of Education		98,707	115,959
Administration		1,880,551	1,816,068
Fiscal		765,196	862,423
Business		6,905	4,687
Operation and maintenance of plant		3,263,238	3,102,153
Pupil transportation		1,633,644	1,490,472
Central		404,288	355,038
Non-instructional services		933,214	665,820
Food services		1,094,430	1,035,149
Total expenses		32,020,835	29,483,123
Change in net position		(3,265,707)	2,608,215
Net position beginning of year		7,048,223	4,440,008
Net position end of year	$	3,782,516	7,048,223

Of the total revenues of $28,755,128, $5,443,785 (19%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the students. Of those general revenues, 49% ($11,401,299) comes from property tax levies and 49% ($11,368,682) is from state funding. Thus, the School District's operations are reliant upon its property tax levy and the state's foundation program.

Total revenue decreased by approximately $3.3 million, or 10%. The majority of this decrease was driven by property taxes, which decreased due to lower amounts available to be advanced by the County Auditor at the end of the fiscal year compared to the prior fiscal year and the aforementioned devaluation of the Zimmer Power Plant.

Total expenses increased by approximately $2.5 million, or 9%. The School District experienced an increase in net pension expense due to increases in net pension liabilities. Other contributing factors include a recoup of two steps in teacher salaries that had been previously held back and 27 pay periods during fiscal year 2017, compared to 26 pay periods in fiscal year 2016.

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 17% of the cost of the general government programs was recouped in program revenues. Instruction costs were $20,202,393, but program revenue contributed to fund $4,145,565 of those costs. Thus, general revenues of $16,056,828 were used to support of remainder of the instruction costs.

		Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost of Services
Instruction	$	20,202,393	4,145,565	21%	16,056,828
Support services		9,790,798	9,000	0%	9,781,798
Non-instructional services		2,027,644	1,289,220	64%	738,424
Total	$	32,020,835	5,443,785	17%	26,577,050

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has one major governmental fund – the General Fund. The assets of this fund were $35,088,062, or 98%, of the total governmental funds' assets.

***General Fund*.** Fund balance at June 30, 2017 was $22,842,129, including $18,176,286 of unassigned balance, which represents 67% of expenditures for fiscal year 2017. The General Fund experienced a decrease in fund balance of $1,482,858. The decrease in revenue from the prior year was due to decreases in property taxes available for advance from the County Auditor at fiscal year-end and devaluation of the Zimmer Power Plant.

Expenditures increased by $1,475,929. The increases were due to increased personnel costs that were previously discussed for governmental activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information. The revenue estimates were increased by approximately 2% between the original and final budgets, due to conservative estimates for tax revenues, while actual revenues came in higher by $399,542, due to higher tuition and fees associated with billings to other school districts for special education excess costs. The School District increased its appropriations during the year by 1%, but was able to come within $884,441 under budget.

CAPITAL ASSET ADMINISTRATION

At June 30, 2017, the School District had $19,709,629 invested in a broad range of capital assets, including land, buildings, equipment, vehicles and construction in progress. The net decrease of about $38,000 in the School District's investment in capital assets for the current fiscal year was due to depreciation expense exceeding additions. Some key additions during the fiscal year included roof and chiller replacements and purchases of buses and playground equipment. See Note 5 to the financial statements for more detail.

Capital Asset at Year-End
(Net of Depreciation)

		FY2017	FY2016
Land	$	484,245	484,245
Construction in progress		-	39,203
Land improvements		1,829,910	1,959,413
Buildings and improvements		16,213,155	16,044,556
Furniture and equipment		616,415	669,238
Vehicles		565,904	550,585
Total	$	19,709,629	19,747,240

ECONOMIC FACTORS

In 2016, Dynergy, Inc. purchased 48% ownership of the Zimmer Power Plant from Duke Energy. Dynergy filed tax documents with the Ohio Department of Taxation in October 2016 and received a $42.5 million reduction in taxable values for the Zimmer Power Plant. This resulted in a reduction of $1,350,000 per year in revenues beginning in calendar year 2017. The School District recently learned that Dynergy purchased the remaining ownership share in the Zimmer Power Plant from DP&L and AEP and received an additional reduction of $47 million in public utility values beginning in collection year 2018. The School District is very concerned about the long-term effect of this loss of revenue, and it is occurring at a particularly challenging time, given the closing of the Beckjord Power Plant in 2014 that will ultimately reduce the School District's revenue by another $1,600,000.

Recognizing the volatility related to public utility values and the planned closing of the Beckjord Plant, the School District reduced expenses beginning in 2010 in order to accumulate a cash balance that would provide funds to operate in future years. Ultimately however, between the loss of the Beckjord Plant and now the Zimmer devaluation, the School District will exhaust the cash balance now on hand.

The School District is currently considering what measures can be taken to mitigate the sudden loss of the Zimmer Plant revenues and looking at options to enable us to continue to provide our students with a high quality education.

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 Richmond Exempted Village School District, 212 Market Street, New Richmond, Ohio 45157.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

		Governmental Activities
Assets:		
Equity in pooled cash and investments	$	24,259,445
Receivables:		
Taxes		11,400,770
Accounts		77,633
Intergovernmental		95,774
Interest		47,092
Supplies inventory		16,383
Nondepreciable capital assets		484,245
Depreciable capital assets, net		19,225,384
Total assets		55,606,726
Deferred Outflows of Resources:		
Pensions		8,178,982
Liabilities:		
Accounts payable		65,791
Accrued wages		2,188,797
Intergovernmental payable		332,629
Noncurrent liabilities:		
Due within one year		285,542
Due within more than one year		
Net pension liability		43,480,275
Other amounts due more than one year		2,425,955
Total liabilities		48,778,989
Deferred Inflows of Resources:		
Property taxes levied for next fiscal year		9,548,973
Pensions		1,675,230
Total deferred inflows of resources		11,224,203
Net Position:		
Investment in capital assets		19,709,629
Restricted for:		
Other purposes		326,453
Unrestricted (deficit)		(16,253,566)
Total net position	$	3,782,516

See accompanying notes to the basic financial statements.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2017

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	$ 15,063,866	2,594,464	993,674	$ (11,475,728)
Special education	5,049,558	-	557,427	(4,492,131)
Adult/continuing	88,969	-	-	(88,969)
Support services:				
Pupil	1,216,359	-	-	(1,216,359)
Instructional staff	521,910	-	-	(521,910)
Board of Education	98,707	-	-	(98,707)
Administration	1,880,551	-	-	(1,880,551)
Fiscal	765,196	-	-	(765,196)
Business	6,905	-	-	(6,905)
Operation and maintenance of plant	3,263,238	-	-	(3,263,238)
Pupil transportation	1,633,644	-	-	(1,633,644)
Central	404,288	-	9,000	(395,288)
Non-instructional services:				
Extracurricular activities	762,008	232,056	-	(529,952)
Community service	171,206	-	-	(171,206)
Food services	1,094,430	374,746	682,418	(37,266)
Total Governmental Activities	$ 32,020,835	3,201,266	2,242,519	(26,577,050)

General Revenues:	
Property taxes, levied for general purposes	11,401,299
Grants and entitlements not restricted to specific programs	11,368,682
Investment earnings	172,876
Miscellaneous	368,486
Total general revenues	23,311,343
Change in net position	(3,265,707)
Net position beginning of year	7,048,223
Net position end of year	$ 3,782,516

See accompanying notes to the basic financial statements.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

		General	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	$	23,531,483	727,962	24,259,445
Receivables:				
Taxes		11,400,770	-	11,400,770
Accounts		77,210	423	77,633
Accrued interest		47,092	-	47,092
Intergovernmental		29,435	66,339	95,774
Materials and supplies		-	16,383	16,383
Interfund receivable		2,072	-	2,072
Total assets		35,088,062	811,107	35,899,169
Liabilities:				
Accounts payable		50,060	15,731	65,791
Accrued wages and benefits		2,077,473	111,324	2,188,797
Intergovernmental payable		332,629	-	332,629
Interfund payable		-	2,072	2,072
Compensated absences payable		83,959	-	83,959
Total liabilities		2,544,121	129,127	2,673,248
Deferred Inflows of Resources:				
Property taxes levied for next fiscal year		9,548,973	-	9,548,973
Unavailable revenue		152,839	50,512	203,351
Total deferred inflows of resources		9,701,812	50,512	9,752,324
Fund Balances:				
Nonspendable		-	16,383	16,383
Restricted		-	259,558	259,558
Committed		11,505	-	11,505
Assigned		4,654,338	407,532	5,061,870
Unassigned (deficit)		18,176,286	(52,005)	18,124,281
Total fund balances		22,842,129	631,468	23,473,597
Total liabilities, deferred inflows of resources and fund balances	$	35,088,062	811,107	35,899,169

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		$	23,473,597
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.			19,709,629
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			203,351
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			(2,627,538)
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 - pensions	8,178,982		
Deferred inflows - pensions	(1,675,230)		
Net pension liability	(43,480,275)		
Total			(36,976,523)
Net Position of Governmental Activities		$	3,782,516

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 11,422,012	-	11,422,012
Tuition and fees	2,543,305	-	2,543,305
Interest	173,631	840	174,471
Charges for services	51,159	372,257	423,416
Intergovernmental	11,555,164	2,165,967	13,721,131
Other local revenues	355,044	260,087	615,131
Total revenues	26,100,315	2,799,151	28,899,466
Expenditures:			
Current:			
Instruction:			
Regular	13,066,902	806,394	13,873,296
Special education	4,447,726	500,000	4,947,726
Adult/continuing	83,566	-	83,566
Support services:			
Pupil	1,109,801	67,271	1,177,072
Instructional staff	502,151	-	502,151
Board of Education	97,583	-	97,583
Administration	1,751,204	-	1,751,204
Fiscal	741,210	-	741,210
Business	6,905	-	6,905
Operation and maintenance of plant	2,645,981	7,100	2,653,081
Pupil transportation	1,564,891	-	1,564,891
Central	377,963	9,000	386,963
Non-instructional services:			
Extracurricular activities	449,597	243,117	692,714
Community service	137,693	-	137,693
Food service	-	1,085,886	1,085,886
Capital outlay	-	1,183,749	1,183,749
Total expenditures	26,983,173	3,902,517	30,885,690
Deficiency of revenues under expenditures	(882,858)	(1,103,366)	(1,986,224)
Other financing sources (uses):			
Transfers in	-	600,000	600,000
Transfers out	(600,000)	-	(600,000)
Total other financing sources (uses):	(600,000)	600,000	-
Change in fund balance	(1,482,858)	(503,366)	(1,986,224)
Fund balance, beginning of year	24,324,987	1,134,834	25,459,821
Fund balance, end of year	$ 22,842,129	631,468	23,473,597

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
Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	$	(1,986,224)
Amounts reported for governmental activities in the statement 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		1,406,788
Depreciation expense		(1,432,299)
Some expenses reported in the statement of activities do not required the use current financial resources and therefore are not reported as expenditures in governmental funds.		(52,570)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.		(132,238)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		2,199,994
Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		(3,257,058)
In the statement of activities, only the loss on the sale or disposal of capital assets is reported, while only proceeds from the sale of assets are reported in the funds.		(12,100)
Change in Net Position of Governmental Activities	$	(3,265,707)

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2017

		Private Purpose Trusts	Agency Funds
ASSETS			
Equity in pooled cash and investments	$	72,413	76,302
Total assets		72,413	76,302
LIABILITIES			
Due to student groups		-	76,302
Total liabilities		-	76,302
NET POSITION			
Held in trust	$	72,413	

See accompanying notes to the basic financial statements.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2017

		Private-Purpose Trusts
Additions:		
Contributions	$	38,885
Interest		1,591
Total additions		40,476
Deductions:		
Community gifts, awards and scholarships		30,352
Total deductions		30,352
Change in net position		10,124
Net position, beginning of year		62,289
Net position, end of year	$	72,413

See accompanying notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Richmond Exempted Village 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 is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities. 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 four organizations, two of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations include Hamilton Clermont Cooperative, the U.S. Grant Joint Vocational School District, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan. These organizations are presented in Notes 12 and 13.

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 interfund services provided and used are not eliminated in the consolidation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

B. Basis of Presentation – *continued*

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 and program revenues 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. Non-major 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.

All private-purpose trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Private-purpose trust funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total assets.

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 either the governmental and fiduciary categories.

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*** - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available 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 only private-purpose trust fund accounts for scholarship programs for students. These assets are not available for the School District’s use. Agency funds, which are used to account for student activities, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

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, interest, tuition, student fees, and grants.

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 which is 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

D. Basis of Accounting – *continued*

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 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 7).

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension (see Note 7).

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in these accounts 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 Investments" on the financial statements.

During fiscal year 2017, the School District's investments were comprised of negotiable certificates of deposit, U.S. agency securities, commercial paper, U.S. money markets, and the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at June 30, 2017, which approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

E. Cash and Cash Equivalents – *continued*

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, consisting of purchased foods and supplies, are recorded as expenditures in the governmental funds when purchased. Reported materials and supplies is equally offset by a nonspendable fund balance in the governmental funds, which indicates that it does not constitute available expendable resources even though it’s a component of net current assets.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements, but are not reported in the governmental fund financial statements. The School District defines capital assets as those with an individual cost of more than $1,500 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 estimated fair 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.

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

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

Buildings	50 years
Land improvements	20 years
Building improvements	20-30 years
Equipment and furniture other than vehicles	5-20 years
Vehicles	8 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

H. Interfund Balances

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.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave 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.

J. 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

L. Fund Balances

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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

M. Net Position

Net position represents the difference between assets, deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Investment in capital assets consists of capital assets, net of accumulated depreciation. 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.

2. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District 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 School 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;

2. DEPOSITS AND INVESTMENTS—*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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of 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 No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 “Deposit and Investment Risk Disclosures”:

2. DEPOSITS AND INVESTMENTS—*continued*

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's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. At June 30, 2017, $1,378,555 of the School District's bank balance of $1,628,555 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.

Investments

The School District's investments at June 30, 2017 are as summarized as follows:

		Balance at 6/30/17	Average Maturity Years	Concentration of Credit Risk
Negotiable CDs	$	11,473,808	1.10	49.8%
U.S. Agency Obligations		3,148,224	0.43	13.7%
Commercial Paper		1,497,900	0.12	6.5%
STAR Ohio		6,824,689	n/a	29.7%
U.S. Money Market		74,385	n/a	0.3%
	$	23,019,006		100.0%

Credit Risk

It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investments in U.S. Agency securities were rated AA+ by Standard & Poor's and Aaa by Moody's. The commercial paper securities were rated A1+ by Standard & Poor's and P-1 by Moody's. Investments in STAR Ohio were rated AAAm by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a counter party, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment securities are registered in the name of the School District.

Interest Rate Risk

In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

2. DEPOSITS AND INVESTMENTS—*continued*

Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District had the following reoccurring fair value measurements as of June 30, 2017:

		Fair Value Measurements Using		
Investments by Fair Value Level	Balance at 6/30/17	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservalbe Inputs (Level 3)
Negotiable CDs	$ 11,473,808	$ -	$ 11,473,808	$ -
U.S. Agency Obligations	3,148,224	-	3,148,224	-
Commerical Paper	1,497,900	-	1,497,900	-
STAR Ohio (net asset value)	6,824,689	N/A	N/A	N/A
U.S. Money Market (amortized cost)	74,385	N/A	N/A	N/A
	$ 23,019,006	$ -	$ 16,119,932	$ -

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

3. 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.

3. PROPERTY TAXES—*continued*

The School District receives property taxes from Clermont 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 $1,716,923 in the General Fund.

The assessed values upon which fiscal year 2017 taxes were collected are:

		2016 Second-Half Collections		2017 First-Half Collections	
		Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$	354,785,380	65.38%	356,842,940	72.40%
Public Utility		187,859,790	34.62%	136,038,520	27.60%
Total Assessed Value	$	542,645,170	100.00%	492,881,460	100.00%
Tax rate per $1,000 of assessed valuation		$32.00		$32.00	

4. INTERFUND TRANSACTIONS

Interfund transactions for the year ended June 30, 2017 consisted of the following:

		Interfund		Transfers	
		Receivable	Payable	In	Out
General Fund	$	2,072	-	-	600,000
Other Governmental Funds		-	2,072	600,000	-
	$	2,072	2,072	600,000	600,000

Interfund receivables/payables were made to cover temporary shortfalls in various grant funds that operate on a reimbursement basis. Transfers were used to provide funding for various capital projects.

5. CAPITAL ASSETS

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

	Balance 7/1/16	Additions	Disposals	Balance 6/30/17
Governmental Activities				
Nondepreciable:				
Land	$ 484,245	-	-	484,245
Construction in progress	39,203	-	(39,203)	-
Subtotal	523,448	-	(39,203)	484,245
Depreciable:				
Land improvements	5,085,665	75,841	-	5,161,506
Buildings and improvements	38,449,882	1,124,541	-	39,574,423
Vehicles	2,560,872	157,865	-	2,718,737
Equipment and furniture	4,012,847	87,744	(255,993)	3,844,598
Subtotal	50,109,266	1,445,991	(255,993)	51,299,264
Totals at historical cost	50,632,714	1,445,991	(295,196)	51,783,509
Less accumulated depreciation:				
Land improvements	3,126,252	205,344	-	3,331,596
Buildings and improvements	22,405,326	955,942	-	23,361,268
Vehicles	2,010,287	142,546	-	2,152,833
Equipment and furniture	3,343,609	128,467	(243,893)	3,228,183
Total accumulated depreciation	30,885,474	1,432,299	(243,893)	32,073,880
Capital assets, net	$ 19,747,240	13,692	(51,303)	19,709,629

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 588,603
Special education	2,070
Support services:	
Instructional staff	867
Administration	60,741
Fiscal	6,376
Operation and maintenance of plant	548,621
Pupil transportation	170,832
Central	760
Extracurricular activities	44,885
Food service	8,544
Total depreciation expense	$ 1,432,299

6. 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. The School District maintains comprehensive insurance coverage with private carriers to address these various types of risk. Settled claims have not exceeded commercial coverage in any of the past three years. There has been no significant reduction in the coverage from last year.

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

7. PENSION PLANS

Net Pension Liability

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

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

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

7. PENSION PLANS—*continued*

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for 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.

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	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.

7. PENSION PLANS—*continued*

***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 $663,604 for fiscal year 2017. Of this amount, $83,164 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 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.

7. PENSION PLANS—*continued*

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.

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 will be increased 1% each year until it reaches 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 $1,536,390 for fiscal year 2017. Of this amount, $249,465 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions

The net pension liability was measured as of June 30, 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:

	SERS	STRS	Total
Proportionate share of the net pension liability	$9,441,316	$34,038,959	$43,480,275
Proportion of net pension liability	0.1290%	0.1017%	
Change in proportion	0.0030%	-0.0070%	
Pension expense	$960,586	$2,296,472	$3,257,058

7. 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:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 127,342	$ 1,375,337	$ 1,502,679
Net difference between projected and actual earnings on pension plan investments	778,773	2,826,148	3,604,921
Change in assumptions	630,259	-	630,259
Change in School District's proportionate share and difference in employer contributions	74,238	166,891	241,129
School District's contributions subsequent to the measurement date	663,604	1,536,390	2,199,994
Total Deferred Outflows of Resources	$ 2,274,216	$ 5,904,766	$ 8,178,982
Deferred Inflows of Resources			
Change in School District's proportionate share and difference in employer contributions	$ 85,820	$ 1,589,410	$ 1,675,230

$2,199,994 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:	SERS	STRS	Total
2018	$ 371,459	$ 323,499	$ 694,958
2019	370,897	323,499	694,396
2020	558,571	1,407,972	1,966,543
2021	223,865	723,996	947,861
	$ 1,524,792	$ 2,778,966	$ 4,303,758

7. PENSION PLANS—*continued*

Actuarial Assumptions - SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will 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%
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.

7. PENSION PLANS—*continued*

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major 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. Stocks	22.50	4.75
Non-U.S. Stock	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

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%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$12,499,714	$9,441,316	$6,881,310

7. PENSION PLANS—*continued*

***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
- 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	2.75% at age 70 to 12.25% at age 20
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.

7. PENSION PLANS—*continued*

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:

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 %

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%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$45,235,011	$34,038,959	$24,594,430

7. 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

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. The School District's liability is 6.2% of wages paid.

8. 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, 2017, 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 $83,164.

None of the 14% employer contribution was allocated to the Heath Care Fund for the fiscal years 2017 or 2016. The School District's contributions for health care for the fiscal year June 30, 2015 was $34,000.

8. 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 2017, 2016 and 2015.

9. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 260 days for teachers, 250 to 360 days for classified staff and administrators. Upon retirement, payment is made for twenty-five percent of the employee's accumulated sick leave up to a maximum of 50 days for all teachers, 55 to 58 days for classified staff, and 90 days for administrators.

10. LONG-TERM OBLIGATIONS

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

		Balance Outstanding 7/1/16	Additions	Reductions	Balance Outstanding 6/30/17	Amounts Due in One Year
Governmental Activities:						
Compensated absences	$	2,577,340	358,584	(224,427)	2,711,497	285,542
Net pension liability:						
STRS		30,035,843	4,003,116	-	34,038,959	-
SERS		7,191,280	2,250,036	-	9,441,316	-
Total	$	39,804,463	6,611,736	(224,427)	46,191,772	285,542

Compensated absences will be paid from the fund from which the employees' salaries are paid.

11. FUND BALANCES

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

Fund Balances		General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Inventory	$	-	16,383	16,383
Restricted for				
Athletics		-	173,243	173,243
Food Service Operations		-	78,545	78,545
Other Purposes		-	7,770	7,770
Total Restricted		-	259,558	259,558
Committed to				
Underground Storage Tanks		11,505	-	11,505
Assigned to				
Capital Improvements		-	407,532	407,532
Encumbrances		226,039	-	226,039
Budget Resource		4,372,088	-	4,372,088
Other Purposes		56,211	-	56,211
Total Assigned		4,654,338	407,532	5,061,870
Unassigned (Deficit)		18,176,286	(52,005)	18,124,281
Total Fund Balance	$	22,842,129	631,468	23,473,597

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

Other Governmental Funds:		
Miscellaneous State Grants Fund	$	2,072
Title I Disadvantaged Children Fund		29,312
Improving Teacher Quality Fund		20,621

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.

12. JOINTLY GOVERNED ORGANIZATIONS

The Hamilton Clermont Cooperative

The School District is a participant in a consortium of school districts to operate The Hamilton/Clermont Cooperative (HCC). HCC is an association of public districts in a geographic area determined by the Ohio Department of Education formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of HCC consists of one representative from each of the participating members. Complete financial statements can be obtained for H/CCA at 7615 Harrison Avenue, Cincinnati 45231.

U.S. Grant Joint Vocational School

The U.S. Grant Joint Vocational School, 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 district's elected board. The Board possesses its own budgeting and taxing authority. The Vocational School provides academic preparation and job training which leads to employment and/or further education upon graduation from high school. The School District has no ongoing financial interest in or responsibility for the Vocational School. To obtain financial information, write to U.S. Grant at 3046 State Route 125, Bethel, Ohio 45106.

13. INSURANCE PURCHASING POOLS

Southwestern Ohio Educational Purchasing Council (EPC) Benefit Plan Trust

The EPC Benefit Plan Trust (the Plan), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. Each member school district pays a monthly premium to the Trust fund for insurance coverage, which is provided by either Anthem Blue Cross or United HealthCare. The Plan is governed by a Trust agreement and a Board of Trustees elected by participating districts. To obtain financial information, write to the Plan at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

14. CONTINGENCIES

Federal and State 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 Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Starting with the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District; therefore the financial statement impact is not determinable at this time. ODE and management believes this will result in either a receivable to or liability of the School District.

Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

15. COMMITMENTS

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The School District’s outstanding encumbrance amounts at June 30, 2017 were:

General Fund	$	270,014
Nonmajor Governmental Funds		166,810

16. 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 and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The following cash basis information describes the change in the year-end set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

		Capital Improvements
Set-aside reserve balance as of June 30, 2016	$	-
Current year set-aside requirement		434,144
Current year qualifying expenditures		(1,415,640)
Total		(981,496)
Set-aside reserve balance as of June 30, 2017	$	-

17. SUBSEQUENT EVENT

In 2016, Dynergy, Inc. purchased Duke Energy's 48% share of the Zimmer Power Plant. Dynergy filed tax documents with the Ohio Department of Taxation in October and received a $42.5 million reduction in taxable value for the Zimmer Power Plant. This resulted in a reduction in tax revenue of approximately $1,350,000 per year beginning in calendar year 2017. In 2017, Dynergy purchased the remaining 52% share of the Zimmer Plant from Dayton Power & Light and AEP and received an additional $47 million reduction in taxable value and will see an additional reduction of approximately $1,200,000 per year beginning in calendar year 2018.

Required Supplementary Information

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Year Ended June 30, 2017

		Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:					
Taxes	$	11,915,961	12,228,895	12,189,946	(38,949)
Tuition and fees		2,362,500	2,325,000	2,537,925	212,925
Interest		100,000	200,000	245,222	45,222
Intergovernmental		11,263,001	11,389,701	11,538,596	148,895
Other local revenues		50,000	50,000	81,449	31,449
Total revenues		25,691,462	26,193,596	26,593,138	399,542
Expenditures:					
Current:					
Instruction:					
Regular		13,531,409	13,661,984	13,308,568	353,416
Special education		4,604,805	4,649,290	4,534,048	115,242
Other instruction		91,209	92,064	87,130	4,934
Support services:					
Pupil		1,172,079	1,183,404	1,154,236	29,168
Instructional staff		552,146	557,219	517,074	40,145
Board of Education		114,784	115,720	95,439	20,281
Administration		1,838,384	1,856,082	1,803,848	52,234
Fiscal		769,731	777,130	754,083	23,047
Business		6,929	6,996	6,825	171
Operation and maintenance of plant		2,916,903	2,944,198	2,781,994	162,204
Pupil transportation		1,618,334	1,633,743	1,570,563	63,180
Central		393,700	397,505	387,784	9,721
Non-instructional services:					
Extracurricular activities		345,059	348,374	337,943	10,431
Community service		10,794	10,899	10,632	267
Total expenditures		27,966,266	28,234,608	27,350,167	884,441
Excess of revenues over expenditures		(2,274,804)	(2,041,012)	(757,029)	1,283,983
Other financing sources (uses):					
Transfers out		(600,000)	(600,000)	(600,000)	-
Advances in		100,000	132,844	132,844	-
Advances out		-	(100,000)	-	100,000
Other uses		(7,500)	(7,500)	-	7,500
Other sources		-	188,985	4,673	(184,312)
Total other financing sources (uses):		(507,500)	(385,671)	(462,483)	(76,812)
Net change in fund balance		(2,782,304)	(2,426,683)	(1,219,512)	1,207,171
Fund balance, beginning of year		24,096,012	24,096,012	24,096,012	
Prior year encumbrances appropriated		198,840	198,840	198,840	
Fund balance, end of year	$	21,512,548	21,868,169	23,075,340	

See accompanying notes to required supplementary information.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Required Supplementary Information
Schedule of School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Four Measurement Periods (1)

	2016	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.1290%	0.1260%	0.1293%	0.1293%
School District's Proportionate Share of the Net Pension Liability	$ 9,441,316	$ 7,191,280	$ 6,544,609	$ 7,690,007
School District's Covered Payroll	$ 4,469,986	$ 4,468,270	$ 3,795,613	$ 3,710,434
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	211.22%	160.94%	172.43%	207.25%
Plan Fiduciary Net Pension 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 RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Required Supplementary Information
Schedule of School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Measurement Periods (1)

	2016	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.1017%	0.1087%	0.1075%	0.1075%
School District's Proportionate Share of the Net Pension Liability	$ 34,038,959	$ 30,035,843	$ 26,156,472	$ 31,157,419
School District's Covered Payroll	$ 11,457,886	$ 10,805,657	$ 10,942,523	$ 12,540,554
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	297.08%	277.96%	239.04%	248.45%
Plan Fiduciary Net Pension 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 RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2017	2016	2015	2014	2013
Contractually Required Contributions	$ 663,604	$ 625,798	$ 588,918	$ 526,072	$ 513,524
Contributions in Relation to the Contractually Required Contributions	(663,604)	(625,798)	(588,918)	(526,072)	(513,524)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School District Covered Payroll	$ 4,740,029	$ 4,469,986	$ 4,468,270	$ 3,795,613	$ 3,710,434
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 continue to present information for years available until a full ten-year trend is compiled.

See accompanying notes to required supplementary information.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	2017	2016	2015	2014	2013
Contractually Required Contributions	$ 1,536,390	$ 1,604,104	$ 1,512,792	$ 1,422,528	$ 1,630,272
Contributions in Relation to the Contractually Required Contributions	(1,536,390)	(1,604,104)	(1,512,792)	(1,422,528)	(1,630,272)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School District Covered Payroll	$ 10,974,214	$ 11,457,886	$ 10,805,657	$ 10,942,523	$ 12,540,554
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 continue to present information for years available until a full ten-year trend is compiled.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to Required Supplementary Information
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 budget must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. 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 expenditures when liquidated (GAAP basis).

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

		General
Net change in fund balance - GAAP Basis	$	(1,482,858)
Increase / (decrease):		
Due to inclusion of Uniform School Supplies Fund		(25,920)
Due to inclusion of Public School Support Fund		(1,726)
Due to inclusion of Preschool Fund		34,974
Due to revenues		746,185
Due to expenditures		(357,670)
Due to other sources (uses)		137,517
Due to encumbrances		(270,014)
Net change in fund balance - Budget Basis	$	(1,219,512)

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 RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Program Title	Pass-through Entity Number	Federal CFDA Number		Federal Revenues	Federal Expenditures
U.S. Department of Agriculture:					
(Passed through Ohio Department of Education)					
Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	2017	10.555	$	62,004	62,004
Cash Assistance					
School Breakfast Program	2017	10.553		135,033	135,033
National School Lunch Program	2017	10.555		428,631	428,631
Summer Food Service Program for Children	2017	10.559		39,064	39,064
Cash Assistance Subtotal				602,728	602,728
Nutrition Cluster Total				664,732	664,732
Total U.S. Department of Agriculture				664,732	664,732
U.S. Department of Education:					
(Passed through Ohio Department of Education)					
Title I Grants to Local Educational Agencies (2016)	S010A150035	84.010		106,810	66,083
Title I Grants to Local Educational Agencies (2017)	S010A160035	84.010		512,339	512,339
				619,149	578,422
Special Education Cluster					
Special Education - Preschool Grants (2017)	H173A160111	84.173		10,509	10,509
Special Education - Grants to States (2016)	H027A150111	84.027		69,547	-
Special Education - Grants to States (2017)	H027A160111	84.027		556,848	556,848
Special Education Cluster Total				636,904	567,357
Supporting Effective Instruction State Grant (2016)	S367A150034	84.367		35,132	26,261
Supporting Effective Instruction State Grant (2017)	S367A160034	84.367		114,411	114,411
				149,543	140,672
Total U.S. Department of Education				1,405,596	1,286,451
Total Federal Awards			$	2,070,328	1,951,183

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 Richmond Exempted Village School District (the “School 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - FOOD DISTRIBUTION

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

NOTE D - NUTRITION CLUSTER

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
New Richmond Exempted Village 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 Richmond Exempted Village 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

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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 Richmond Exempted Village School District:

Report on Compliance for Each Major Federal Program

We have audited New Richmond Exempted Village 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

New Richmond Exempted Village School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 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:

Nutrition Cluster
CFDA 10.553 – School Breakfast program
CFDA 10.555 – National School Lunch Program
CFDA 10.559 – Summer Food Service Program for Children

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 IV – Schedule of Prior Audit Findings
None

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Dave Yost • Auditor of State

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

CLERMONT 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