

Dear Park Community City School District



**Deer Park
Community
City Schools**

Basic Financial Statements

June 30, 2018



Dave Yost • Auditor of State

Board of Education
Deer Park Community City School District
4131 Matson Avenue
Cincinnati, Ohio 45236

We have reviewed the Independent Auditor's Report of the Deer Park Community City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 17, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Deer Park Community City 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 Deer Park Community City School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 District, as of June 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Cincinnati, Ohio
November 29, 2018

**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased \$7,850,811 which represents a 149% increase from 2017.
- General revenues accounted for \$17,383,681 in revenue or 90% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,851,373 or 10% of total revenues of \$19,235,054.
- The District had \$11,384,243 in expenses related to governmental activities; \$1,851,373 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$17,383,681 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

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

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

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

Fund Financial Statements

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

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

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

The District as a Whole

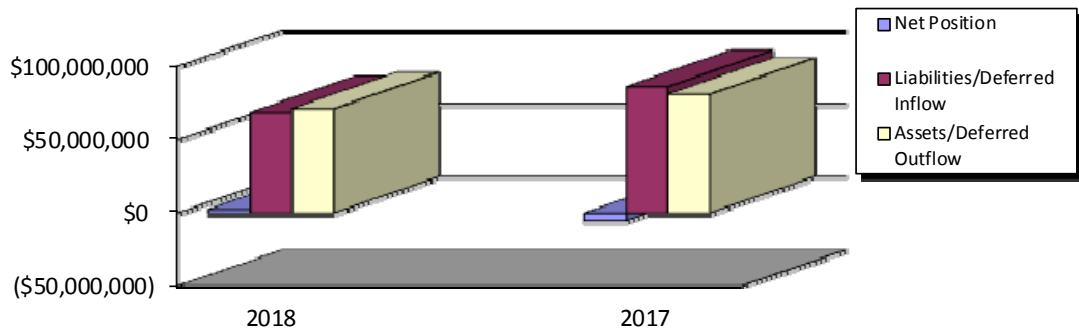
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017:

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**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2018	2017-Restated
Assets:		
Current and Other Assets	\$39,667,959	\$65,502,844
Capital Assets	25,370,891	10,056,888
Total Assets	65,038,850	75,559,732
Deferred Outflows of Resources:		
OPEB	188,249	35,559
Pension	5,980,097	5,401,447
Total Deferred Outflows of Resources	6,168,346	5,437,006
Liabilities:		
Other Liabilities	6,363,538	17,579,292
Long-Term Liabilities	52,400,253	61,447,145
Total Liabilities	58,763,791	79,026,437
Deferred Inflows of Resources:		
Property Taxes	7,909,169	6,560,328
Grants and Other Taxes	571,648	620,290
OPEB	515,690	0
Pension	853,241	46,837
Total Deferred Inflows of Resources	9,849,748	7,227,455
Net Position:		
Net Investment in Capital Assets	4,365,047	4,793,822
Restricted	2,358,398	1,659,477
Unrestricted	(4,129,788)	(11,710,453)
Total Net Position	\$2,593,657	(\$5,257,154)



**Deer Park Community City School District
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(Unaudited)**

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$131,982) to (\$5,257,154).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,593,657.

At year-end, capital assets represented 39% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2018, were \$4,365,047. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,358,398 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and other assets decreased due to a decrease in cash and investments. Long-term liabilities decreased mainly due to net pension liability.

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

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**Deer Park Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

**Table 2
Changes in Net Position**

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues		
Charges for Services	\$624,680	\$508,271
Operating Grants, Contributions	1,226,693	1,780,520
General Revenues:		
Property Taxes	11,688,762	13,176,187
Grants and Entitlements	4,365,149	4,252,420
Other	1,329,770	882,258
Total Revenues	<u>19,235,054</u>	<u>20,599,656</u>
Program Expenses:		
Instruction	6,036,089	10,458,692
Support Services:		
Pupil and Instructional Staff	1,022,794	1,590,334
School Administrative, General Administration, Fiscal and Business	930,524	2,422,073
Operations and Maintenance	1,112,864	1,543,621
Pupil Transportation	265,788	435,236
Central	74,207	202,527
Operation of Non-Instructional Services	498,025	560,519
Extracurricular Activities	407,243	693,096
Interest and Fiscal Charges	1,036,709	601,610
Total Program Expenses	<u>11,384,243</u>	<u>18,507,708</u>
Change in Net Position	7,850,811	2,091,948
Beginning Net Position, Restated	<u>(5,257,154)</u>	<u>N/A</u>
Ending Net Position	<u><u>\$2,593,657</u></u>	<u><u>(\$5,257,154)</u></u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$35,559 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$635,107. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

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(Unaudited)**

Total 2018 operating expenses under GASB 75	\$11,384,243
Negative OPEB expense under GASB 75	635,107
2018 contractually required contribution	52,249
Adjusted 2018 operating expenses	12,071,599
Total 2017 operating expenses under GASB 45	18,507,708
Change in operating expenses not related to OPEB	(\$6,436,109)

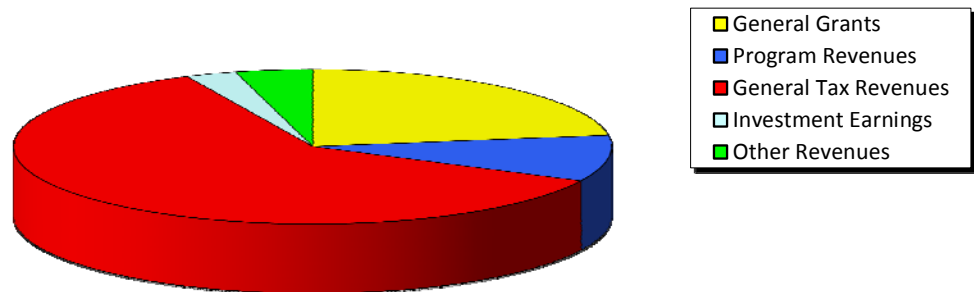
The District revenues are mainly from two sources. Property taxes levied for general, debt service, and capital projects purposes and grants and entitlements comprised 83% of the District's revenues for governmental activities.

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

Thus, Ohio districts dependent upon property taxes are hampered by a lack of revenue growth. Property taxes represents 58% of revenue for governmental activities for the District in fiscal year 2018.

**Governmental Activities
Revenue Sources**

	2018	Percentage
General Grants	\$4,365,149	22.69%
Program Revenues	1,851,373	9.62%
General Tax Revenues	11,688,762	60.77%
Investment Earnings	527,722	2.74%
Other Revenues	802,048	4.17%
Total Revenue Sources	\$19,235,054	100.00%



**Deer Park Community City School District
Management’s Discussion and Analysis
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(Unaudited)**

Instruction comprises 53% of governmental program expenses. Support services expenses were 30% of governmental program expenses. All other expenses including interest and fiscal charges were 17%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Revenue decreased mainly due to a decrease in property tax revenues and program revenues. Instruction expenses decreased from 2017 to 2018 due to changes related to net pension liability and other post employment benefits liability.

Governmental Activities

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$6,036,089	\$10,458,692	(\$4,937,044)	(\$9,037,646)
Support Services:				
Pupil and Instructional Staff	1,022,794	1,590,334	(961,530)	(1,535,402)
School Administrative, General				
Administration, Fiscal and Business	930,524	2,422,073	(928,025)	(2,330,072)
Operations and Maintenance	1,112,864	1,543,621	(1,101,563)	(1,517,118)
Pupil Transportation	265,788	435,236	(208,083)	(380,420)
Central	74,207	202,527	(74,207)	(202,527)
Operation of Non-Instructional Services	498,025	560,519	21,278	(11,075)
Extracurricular Activities	407,243	693,096	(306,987)	(603,047)
Interest and Fiscal Charges	1,036,709	601,610	(1,036,709)	(601,610)
Total Expenses	<u>\$11,384,243</u>	<u>\$18,507,708</u>	<u>(\$9,532,870)</u>	<u>(\$16,218,917)</u>

The District’s Funds

The District has three major governmental funds: the General Fund, the Debt Service Fund, and the Building Fund. Assets of the General Fund comprised \$23,194,219 (58%), the Debt Service Fund comprised \$2,618,897 (7%), and the Building Fund comprised \$12,206,932 (31%) of the total \$40,009,295 governmental funds’ assets.

General Fund: Fund balance at June 30, 2018 was \$14,044,550, an increase in fund balance of \$327,543 from 2017. Fund balance remained relatively stable from 2017 to 2018.

Debt Service Fund: Fund balance at June 30, 2018 was \$1,726,329, a decrease in fund balance of \$16,075,597 from 2017. The primary reason for the decrease in fund balance was due to transfers out.

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Management’s Discussion and Analysis
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Building Fund: Fund balance at June 30, 2018 was \$7,586,571, a decrease in fund balance of \$202,292 from 2017. The primary reason for the decrease in fund balance was due to the increase in capital outlay expenditures.

General Fund Budgeting Highlights

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

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

For the General Fund, final budget basis revenue was \$16,137,405, compared to original budget estimates of \$16,138,925. Of the \$1,520 difference, most was due to an over estimate for tax revenue.

The District’s general fund ending unobligated cash balance was \$10,880,327 at fiscal year end.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2018, the District had \$25,370,891 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal 2018 balances compared to fiscal 2017:

**Table 4
Capital Assets at Year End
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$779,141	\$779,141
Construction in Progress	17,290,645	1,475,620
Buildings and Improvements	6,729,972	7,155,905
Equipment	<u>571,133</u>	<u>646,222</u>
Total Net Capital Assets	<u>\$25,370,891</u>	<u>\$10,056,888</u>

The increase in capital assets is due to the start of construction projects in 2018.

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

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Debt

At June 30, 2018, the District had \$29,272,364 in bonds payable, \$457,332 due within one year. Table 5 summarizes bonds and debt outstanding at year end.

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2018	2017
2013 Energy Conservation Improvement HB 264 Bonds	\$309,150	\$360,462
2015 Certificates of Participation	3,415,000	3,495,000
Discount on 2015 COPs	(8,951)	(9,283)
2017 NBQ BONDS	14,380,000	15,200,000
PREMIUM ON SERIES 2017A BONDS	1,452,112	1,492,448
2017 NBQ BOND ANTICIPATION NOTE	0	9,800,000
2018 NBQ BONDS	9,485,000	0
PREMIUM ON SERIES 2018 NBQ BONDS	240,053	0
Total Outstanding Debt at Year End	<u>\$29,272,364</u>	<u>\$30,338,627</u>

See Note 8 to the basic financial statements for further details on the District's long-term liabilities.

For the Future

The Ohio Department of Education explains the school funding model in Ohio as follows:

The funding of K-12 public schools in Ohio is a joint effort between the state and local school districts. Since the 1970s through FY 2009, with the exception of a few years, Ohio's funding formula was foundation based by means of which a per pupil amount determined by the General Assembly as the per-pupil resource for provision of a basic adequate education was multiplied by the number of pupils to determine the base funding of the school districts. From this product, the local share of the basic adequate amount or the charge off was subtracted to arrive at the state share of the base funding. Additional funding was also provided for services targeted to categories of pupils such as handicapped, vocational, gifted, and economically disadvantaged as well as some adjustments and funding guarantees. The 2010-11 biennial budget (Am. Sub. H.B. 1 of the 128th General Assembly), established a new funding formula called the Evidence-Based Model (EBM). Am. Sub. H.B. 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula for the 2012-13 biennial budget as a new school funding formula is developed. The temporary formula was called the Bridge formula.

HB59 was enacted in June 2013 and with it came a new school funding formula. Aid through the new formula is generated through nine key areas. Opportunity Grant dollars are a base aid amount. Targeted Assistance funds provide additional aid based on the relative wealth of the local area. Categorical funding dollars are provided for Special Education, LEP, Economically Disadvantaged, Gifted, and Career Tech. In addition, funding has been added for K-3 Literacy (to help with the 3rd Grade Reading

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Guarantee) and Transportation. In an attempt to smooth the transition from the BRIDGE to the new formula, foundation funding to districts is subject to caps and guarantees. To prevent districts from receiving less than their foundation funding from the prior year, the state gives the district Transitional Aid (guarantee) money to fill the gap. At the same time, districts are capped at receiving no more than a 6.25% increase in their state funding for FY14. This balancing act minimizes huge spikes and drastic losses in funding in the first two years of the formula, but also results in unpredictable state revenue from biennium to biennium. In FY14 the District was on the cap, in FY15 the District was on the formula, and in FY16 and FY18 the District was on the guarantee.

The District remains concerned about the instability of the national, state, and local economies as well as any future political ramifications of the current fully implemented funding model since the District fluctuates between the cap, formula, and guarantee, enrollment figures are extremely important to projecting state revenue.

Management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future. The passage of the operating/permanent improvement levy in November 2013 and a bond levy in November 2016 further secured the District's financial outlook. In addition, the District received its first credit rating in recent history in early 2017. The stability of the surrounding community, as well as the positive cash balances on the financial forecast resulted in a very strong issuer credit rating of AA- from S&P.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Deer Park Community City School District, 4131 Matson Ave, Cincinnati, Ohio 45236.

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Deer Park Community City School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$24,201,512
Restricted Cash and Investments	1,594,722
Receivables (Net):	
Taxes	13,103,757
Accounts	78,479
Interest	33,696
Intergovernmental	634,218
Prepays	21,575
Nondepreciable Capital Assets	18,069,786
Depreciable Capital Assets, Net	<u>7,301,105</u>
 Total Assets	 <u>65,038,850</u>
Deferred Outflows of Resources:	
Pension	5,980,097
OPEB	<u>188,249</u>
 Total Deferred Outflows of Resources	 <u>6,168,346</u>
Liabilities:	
Accounts Payable	94,015
Accrued Wages and Benefits	1,581,128
Contracts Payable	3,049,547
Retainage Payable	1,544,722
Accrued Interest Payable	94,126
Long-Term Liabilities:	
Due Within One Year	564,917
Due In More Than One Year:	
Net Pension Liability	18,194,174
Net OPEB Liability	4,110,371
Other Amounts	<u>29,530,791</u>
 Total Liabilities	 <u>58,763,791</u>
Deferred Inflows of Resources:	
Property Taxes	7,909,169
Grants and Other Taxes	571,648
Pension	853,241
OPEB	<u>515,690</u>
 Total Deferred Inflows of Resources	 <u>9,849,748</u>
Net Position:	
Net Investment in Capital Assets	4,365,047
Restricted for:	
Debt Service	1,721,079
Capital Projects	286,369
Food Service	214,120
District Managed Student Activities	12,301
State Grants	106,948
Federal Grants	10,389
Other Purposes	7,192
Unrestricted	<u>(4,129,788)</u>
 Total Net Position	 <u>\$2,593,657</u>

See accompanying notes to the basic financial statements.

Deer Park Community City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$3,776,237	\$270,232	\$179,714	(\$3,326,291)
Special	2,177,011	72,771	547,065	(1,557,175)
Vocational	82,841	0	3,053	(79,788)
Other	0	0	26,210	26,210
Support Services:				
Pupil	439,458	0	12,665	(426,793)
Instructional Staff	583,336	0	48,599	(534,737)
General Administration	102,592	0	0	(102,592)
School Administration	282,876	0	2,019	(280,857)
Fiscal	457,274	0	480	(456,794)
Business	87,782	0	0	(87,782)
Operations and Maintenance	1,112,864	11,301	0	(1,101,563)
Pupil Transportation	265,788	0	57,705	(208,083)
Central	74,207	0	0	(74,207)
Operation of Non-Instructional Services	498,025	170,120	349,183	21,278
Extracurricular Activities	407,243	100,256	0	(306,987)
Interest and Fiscal Charges	1,036,709	0	0	(1,036,709)
Totals	\$11,384,243	\$624,680	\$1,226,693	(9,532,870)

General Revenues:

Property Taxes Levied for:

General Purposes	9,675,825
Debt Service Purposes	1,379,780
Capital Projects Purposes	633,157
Grants and Entitlements, Not Restricted	4,365,149
Revenue in Lieu of Taxes	596,075
Unrestricted Contributions	118,666
Investment Earnings	527,722
Other Revenues	87,307

Total General Revenues 17,383,681

Change in Net Position 7,850,811

Net Position - Beginning of Year, Restated (5,257,154)

Net Position - End of Year \$2,593,657

See accompanying notes to the basic financial statements.

Deer Park Community City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$11,132,002	\$1,226,329	\$10,662,210	\$1,180,971	\$24,201,512
Restricted Cash and Investments	50,000	0	1,544,722	0	1,594,722
Receivables (Net):					
Taxes	10,983,775	1,392,568	0	727,414	13,103,757
Accounts	64,205	0	0	14,274	78,479
Interest	33,284	0	0	412	33,696
Intergovernmental	571,648	0	0	62,570	634,218
Interfund	341,336	0	0	0	341,336
Prepays	17,969	0	0	3,606	21,575
Total Assets	23,194,219	2,618,897	12,206,932	1,989,247	40,009,295
Liabilities:					
Accounts Payable	55,602	0	26,092	12,321	94,015
Accrued Wages and Benefits	1,313,568	0	0	267,560	1,581,128
Contracts Payable	0	0	3,049,547	0	3,049,547
Retainage Payable	0	0	1,544,722	0	1,544,722
Interfund Payable	0	0	0	341,336	341,336
Total Liabilities	1,369,170	0	4,620,361	621,217	6,610,748
Deferred Inflows of Resources:					
Property Taxes	7,198,725	892,568	0	487,414	8,578,707
Grants and Other Taxes	571,648	0	0	62,570	634,218
Investment Earnings	10,126	0	0	0	10,126
Total Deferred Inflows of Resources	7,780,499	892,568	0	549,984	9,223,051
Fund Balances:					
Nonspendable	17,969	0	0	3,606	21,575
Restricted	0	1,726,329	7,586,571	1,313,673	10,626,573
Assigned	205,653	0	0	0	205,653
Unassigned	13,820,928	0	0	(499,233)	13,321,695
Total Fund Balances	14,044,550	1,726,329	7,586,571	818,046	24,175,496
Total Liabilities, Deferred Inflows and Fund Balances	\$23,194,219	\$2,618,897	\$12,206,932	\$1,989,247	\$40,009,295

See accompanying notes to the basic financial statements.

Deer Park Community City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2018

Total Governmental Fund Balance \$24,175,496

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

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

Capital assets used in the operation of Governmental Funds 25,370,891

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

Delinquent Property Taxes	669,538	
Interest	10,126	
Intergovernmental	<u>62,570</u>	
		742,234

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (94,126)

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

Compensated Absences (823,344)

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

Deferred outflows of resources related to pensions	5,980,097	
Deferred inflows of resources related to pensions	(853,241)	
Deferred outflows of resources related to OPEB	188,249	
Deferred inflows of resources related to OPEB	<u>(515,690)</u>	
		4,799,415

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

Net Pension Liability	(18,194,174)	
Net OPEB Liability	(4,110,371)	
Other Amounts	<u>(29,272,364)</u>	
		<u>(51,576,909)</u>

Net Position of Governmental Activities \$2,593,657

See accompanying notes to the basic financial statements.

Deer Park Community City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$9,665,556	\$1,303,373	\$0	\$632,279	\$11,601,208
Tuition and Fees	316,963	0	0	0	316,963
Investment Earnings	247,305	0	275,487	4,072	526,864
Intergovernmental	4,861,220	39,454	0	964,874	5,865,548
Extracurricular Activities	38,486	0	0	87,736	126,222
Charges for Services	0	0	0	170,120	170,120
Revenue in Lieu of Taxes	596,075	0	0	0	596,075
Gifts and Donations	12,863	0	0	39,750	52,613
Other Revenues	102,802	0	18,098	42,580	163,480
Total Revenues	15,841,270	1,342,827	293,585	1,941,411	19,419,093
Expenditures:					
Current:					
Instruction:					
Regular	5,626,808	0	0	1,259,919	6,886,727
Special	2,703,575	0	0	255,196	2,958,771
Vocational	152,415	0	0	0	152,415
Support Services:					
Pupil	881,750	0	0	28,245	909,995
Instructional Staff	619,144	0	0	53,245	672,389
General Administration	115,017	0	0	0	115,017
School Administration	1,315,276	0	0	25,716	1,340,992
Fiscal	573,895	137,851	17,652	18,740	748,138
Business	190,601	0	0	0	190,601
Operations and Maintenance	1,351,984	0	0	83,543	1,435,527
Pupil Transportation	429,059	0	0	5,700	434,759
Central	144,610	0	0	0	144,610
Operation of Non-Instructional Services	14,419	0	0	503,811	518,230
Extracurricular Activities	494,017	0	0	106,388	600,405
Capital Outlay	7,506	0	15,815,025	79,093	15,901,624
Debt Service:					
Principal Retirement	51,312	10,685,000	0	80,000	10,816,312
Interest and Fiscal Charges	8,449	1,049,309	0	119,138	1,176,896
Bond Issuance Cost	0	8,750	0	0	8,750
Total Expenditures	14,679,837	11,880,910	15,832,677	2,618,734	45,012,158
Excess of Revenues Over (Under) Expenditures	1,161,433	(10,538,083)	(15,539,092)	(677,323)	(25,593,065)
Other Financing Sources (Uses):					
Issuance of Long-Term Capital-Related Debt	0	9,550,000	0	0	9,550,000
Premium on Bonds Issued	0	249,286	0	0	249,286
Transfers In	0	0	15,336,800	996,683	16,333,483
Transfers (Out)	(833,890)	(15,336,800)	0	(162,793)	(16,333,483)
Total Other Financing Sources (Uses)	(833,890)	(5,537,514)	15,336,800	833,890	9,799,286
Net Change in Fund Balance	327,543	(16,075,597)	(202,292)	156,567	(15,793,779)
Fund Balance - Beginning of Year	13,717,007	17,801,926	7,788,863	661,479	39,969,275
Fund Balance - End of Year	\$14,044,550	\$1,726,329	\$7,586,571	\$818,046	\$24,175,496

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balance - Total Governmental Funds (\$15,793,779)

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

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

Capital assets used in governmental activities	15,877,310	
Depreciation Expense	<u>(563,307)</u>	
		15,314,003

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

District pension contributions for pension	1,325,556	
Cost of benefits earned net of employee contributions for pension	5,503,164	
District pension contributions for OPEB	52,249	
Cost of benefits earned net of employee contributions for OPEB	<u>635,107</u>	
		7,516,076

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

Delinquent Property Taxes	87,554	
Interest	858	
Intergovernmental	<u>(272,451)</u>	
		(184,039)

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Premium on Bonds Issued		(249,286)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

10,816,312

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

99,700

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

Compensated Absences	(167,423)	
Amortization of Bond Discount	(322)	
Amortization of Bond Premium	<u>49,569</u>	
		(118,176)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.

(9,550,000)

Change in Net Position of Governmental Activities

\$7,850,811

See accompanying notes to the basic financial statements.

Deer Park Community City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$25,235</u>	<u>\$28,575</u>
Total Assets	<u>25,235</u>	<u>28,575</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>28,575</u>
Total Liabilities	<u>0</u>	<u>\$28,575</u>
Net Position:		
Held in Trust	<u>25,235</u>	
Total Net Position	<u>\$25,235</u>	

See accompanying notes to the basic financial statements.

Deer Park Community City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust Fund
Additions:	
Other	<u>\$0</u>
Total Additions	<u>0</u>
Deductions:	
Scholarships	<u>2,000</u>
Total Deductions	<u>2,000</u>
Change in Net Position	(2,000)
Net Position - Beginning of Year	<u>27,235</u>
Net Position - End of Year	<u>\$25,235</u>

See accompanying notes to the basic financial statements.

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

Note 1 - Description of the District

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

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and /or federal agencies. This Board controls the District's instructional and support facilities staffed by 52 non-certificated personnel and 110 certificated teaching and administrative personnel to provide services to students and other community members.

The District is the 20th largest in Hamilton County in terms of enrollment with a head count of 1,211. It currently operates two elementary schools, and one junior high/high school (grades 7-12).

Reporting Entity

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

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

The District is associated with three jointly governed organizations. These organizations are:

- Jointly Governed Organizations:
 - Hamilton Clermont Cooperative Information Technology Center
 - Great Oaks Career Campuses
 - Greater Cincinnati Insurance Consortium

These organizations are presented in Note 15.

Note 2 - Summary of Significant Accounting Policies

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

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

Measurement Focus

Government-wide Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

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

Fund Financial Statements

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

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

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows, and liabilities and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

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

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

Building Fund – A fund used to account for the receipts and expenditures related to all special bond funds in the district. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Fiduciary Funds

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, OPEB, grants and other taxes (which includes tax incremental financing 'TIF'), investment earnings, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Other taxes (TIFs) have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 9 and 10.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Equity In Pooled Cash And Investments

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

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

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

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2018 amounted to \$247,305 credited to the General Fund, \$275,487 credited to the Building Fund, and \$4,072 credited to other governmental funds.

Inventory

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	10-50 years
Equipment	5-20 years

Compensated Absences

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

Pensions/Other Postemployment Benefits (OPEB)

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

Net Position

Net position represents the difference between assets and outflows of deferred resources, and liabilities and inflows of deferred resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when

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there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$2,358,398 in restricted net position, none were restricted by enabling legislation.

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Position.

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

Estimates

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

Restricted Assets

Restricted assets represent equity in pooled cash and investments set aside to establish a budget stabilization reserve and retainage payable.

Fund Balance

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

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

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

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

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

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

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

Note 3 - Equity in Pooled Cash and Investments

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such

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obligations, provided that investments in securities described in this division are made only through eligible institutions.

- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, \$1,398,890 of the District's bank balance of \$1,648,890 was exposed to custodial credit risk because it was uninsured and collateralized.

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

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

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

Investments

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

Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Federal Home Loan Bank	\$4,674,368	Level 2	0.08
Federal National Mortgage Association	1,244,118	Level 2	0.08
Negotiable CDs	1,239,046	Level 2	0.12
Discount Notes	279,767	Level 2	0.05
Commercial Paper	4,565,243	Level 2	0.20
Federal Farm Credit	498,865	Level 2	0.22
Money Market Funds	98,006	N/A	0.00
STAROhio	11,680,873	N/A	0.13
Total Fair Value	\$24,280,286		
Portfolio Weighted Average Maturity			0.15

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

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Discount Notes, Federal National Mortgage Association, Federal Home Loan Bank, and Federal Farm Credit Corporation were rated AAA by Standard & Poor's and Aaa by Moody's Investor Service. The District's investments in STAROhio were rated AAAM by Standard & Poor's. Commercial Paper and Federal Farm Credit and Discount Note were rated A-1+ by Standard & Poor's ratings and P-1 by Moody's Investment Service. Negotiable CDs and Money Market Funds are not rated.

Deer Park Community City School District
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Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested 19.3% in Federal Home Loan Bank, 5.1% in Federal National Mortgage Association, 5.1% in Negotiable CDs, 1.2% in Discount Notes, 18.8% in Commercial Paper, 2.1% in Federal Farm Credit Corporation, 0.4% in Money Market Funds, and 48% in STAR Ohio.

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

Note 4 – Property Taxes

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

Real property taxes are payable annually or semi-annually. In 2018, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least ½ amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2018. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2018. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current 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, 2018, was \$3,660,000 for the General Fund, \$500,000 for the Debt Service Fund, and \$240,000 for Other Governmental Funds, and is recognized as revenue.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$232,543,900
Public Utility Personal	<u>14,089,420</u>
Total	<u><u>\$246,633,320</u></u>

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

Note 5 – Receivables

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

Note 6 – Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$779,141	\$0	\$0	\$779,141
Construction in Progress	1,475,620	15,815,025	0	17,290,645
Capital Assets, being depreciated:				
Buildings and Improvements	34,216,994	0	0	34,216,994
Equipment	1,934,101	62,285	0	1,996,386
Totals at Historical Cost	<u>38,405,856</u>	<u>15,877,310</u>	<u>0</u>	<u>54,283,166</u>
Less Accumulated Depreciation:				
Buildings and Improvements	27,061,089	425,933	0	27,487,022
Equipment	1,287,879	137,374	0	1,425,253
Total Accumulated Depreciation	<u>28,348,968</u>	<u>563,307</u>	<u>0</u>	<u>28,912,275</u>
Governmental Activities Capital Assets, Net	<u>\$10,056,888</u>	<u>\$15,314,003</u>	<u>\$0</u>	<u>\$25,370,891</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$344,300
Special	18,186
Support Services:	
Instructional Staff	27,541
School Administration	18,096
Business	589
Operations and Maintenance	100,616
Pupil Transportation	18,657
Central	5,900
Operation of Non-Instructional Services	12,867
Extracurricular Activities	16,555
Total Depreciation Expense	<u>\$563,307</u>

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

Note 7 - Short-Term Notes Payable

Short-Term Notes Payable activity of the District for the current year end was as follows:

	Beginning Principal Outstanding	Additions	Deletions	Ending Principal Outstanding
NBQ Bond Anticipation Note	\$15,200,000	\$0	\$15,200,000	\$0
Total	<u>\$15,200,000</u>	<u>\$0</u>	<u>\$15,200,000</u>	<u>\$0</u>

The short-term bond anticipation notes are shown as liabilities of the fund which received the note proceeds. Accordingly, all note debt activity has been reported in the Building Fund. The notes were issued in January of 2017 with an interest rate of 2.0% and a maturity date of July 13, 2017, they were issued to fund building construction within the District. The District paid off the NBQ Anticipation note in fiscal year 2018.

Note 8 - Long-Term Liabilities

	Restated Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:					
2013 Energy Conservation Improvement					
HB 264 Bonds	\$360,462	\$0	(\$51,312)	\$309,150	\$42,332
2015 Certificates of Participation	3,495,000	0	(80,000)	3,415,000	85,000
Discount on Certificates of Participation	(9,283)	0	332	(8,951)	0
2017 NBQ Bonds	15,200,000	0	(820,000)	14,380,000	235,000
Premium on NBQ Bonds	1,492,448	0	(40,336)	1,452,112	0
2017 NBQ Bond Anticipation Note	9,800,000	0	(9,800,000)	0	0
2018 NBQ Bonds	0	9,550,000	(65,000)	9,485,000	95,000
Premium on Series 2018 NBQ Bonds	0	249,286	(9,233)	240,053	0
Subtotal Bonds	<u>30,338,627</u>	<u>9,799,286</u>	<u>(10,865,549)</u>	<u>29,272,364</u>	<u>457,332</u>
Compensated Absences	697,133	285,740	(159,529)	823,344	107,585
Subtotal Bonds and Other Amounts	<u>31,035,760</u>	<u>10,085,026</u>	<u>(11,025,078)</u>	<u>30,095,708</u>	<u>564,917</u>
Net Pension Liability:					
STRS	20,423,108	0	(6,078,843)	14,344,265	0
SERS	4,827,546	0	(977,637)	3,849,909	0
Total Net Pension Liability	<u>25,250,654</u>	<u>0</u>	<u>(7,056,480)</u>	<u>18,194,174</u>	<u>0</u>
Net OPEB Liability:					
STRS	3,263,026	0	(907,079)	2,355,947	0
SERS	1,897,705	0	(143,281)	1,754,424	0
Total OPEB Liability	<u>5,160,731</u>	<u>0</u>	<u>(1,050,360)</u>	<u>4,110,371</u>	<u>0</u>
Total Long-Term Obligations	<u>\$61,447,145</u>	<u>\$10,085,026</u>	<u>(\$19,131,918)</u>	<u>\$52,400,253</u>	<u>\$564,917</u>

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Compensated absences will be paid from the fund from which the person is paid. The HB 264 bonds will be paid from the General Fund, the certificates of participation will be paid from the Permanent Improvement Fund and the NBQ bonds will be paid from the Debt Service Fund.

In fiscal year 2013, the District issued \$516,010 in HB265 bonds at an interest rate of 2.45% with a maturity date of March 1, 2025. These bonds will be used to make energy conservation improvements throughout the District.

In fiscal year 2015, the District issued \$3,655,000 in certificates of participation with various interest rates (1.0% to 4.0%) with a maturity date of December 1, 2044. These certificates of participation will be used to make building improvements throughout the District.

In fiscal year 2017, the District issued \$15,200,000 in NBQ bonds with various interest rates (2.00% to 5.25%) with a maturity date of December 1, 2053. These NBQ bonds will be used for the construction of a new building.

In fiscal year 2017, the District issued \$9,800,000 in NBQ bond anticipation notes with an interest rate of 2.5% with a maturity date of July 13, 2017. These NBQ bond anticipation notes will be used for the construction of a new building.

In fiscal year 2018, the District issued \$9,550,000 in NBQ bonds with various interest rates (0.9% to 4%) with a maturity date of December 1, 2043. These NBQ bonds will be used for construction of a new building.

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

Fiscal Year Ending June 30	General Obligation Bonds		Total
	Principal	Interest	
2019	\$457,332	\$1,102,595	\$1,559,927
2020	463,374	1,094,056	1,557,430
2021	474,443	1,083,312	1,557,755
2022	475,539	1,070,441	1,545,980
2023	481,662	1,056,155	1,537,817
2024-2028	2,521,800	5,007,796	7,529,596
2029-2033	3,035,000	4,438,975	7,473,975
2034-2038	3,710,000	3,787,643	7,497,643
2039-2043	4,420,000	3,069,176	7,489,176
2044-2048	4,800,000	2,200,176	7,000,176
2049-2053	5,475,000	1,082,681	6,557,681
2054	1,275,000	33,469	1,308,469
Total	\$27,589,150	\$25,026,475	\$52,615,625

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The contractually required contribution to SERS was \$341,628 for fiscal year 2018. Of this amount \$99,799 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

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

The contractually required contribution to STRS was \$983,928 for fiscal year 2018. Of this amount \$165,536 is reported as accrued wages and benefits.

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For The Fiscal Year Ended June 30, 2018

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,849,909	\$14,344,265	\$18,194,174
Proportion of the Net Pension Liability:			
Current Measurement Date	0.06443600%	0.06038365%	
Prior Measurement Date	<u>0.06595840%</u>	<u>0.06101365%</u>	
Change in Proportionate Share	-0.00152240%	-0.00063000%	
Pension Expense	(\$149,744)	(\$5,353,420)	(\$5,503,164)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$165,687	\$553,908	\$719,595
Changes of assumptions	199,082	3,137,248	3,336,330
Changes in employer proportionate share of net pension liability	52,311	546,305	598,616
Contributions subsequent to the measurement date	<u>341,628</u>	<u>983,928</u>	<u>1,325,556</u>
Total Deferred Outflows of Resources	<u>\$758,708</u>	<u>\$5,221,389</u>	<u>\$5,980,097</u>
Differences between expected and actual experience	\$0	\$115,609	\$115,609
Net difference between projected and actual earnings on pension plan investments	18,275	473,377	491,652
Changes in employer proportionate share of net pension liability	<u>98,099</u>	<u>147,881</u>	<u>245,980</u>
Total Deferred Inflows of Resources	<u>\$116,374</u>	<u>\$736,867</u>	<u>\$853,241</u>

\$1,325,556 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$153,408	\$829,808	\$983,216
2020	198,008	1,577,700	1,775,708
2021	39,039	842,499	881,538
2022	(89,749)	250,587	160,838
Total	<u>\$300,706</u>	<u>\$3,500,594</u>	<u>\$3,801,300</u>

Actuarial Assumptions - SERS

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

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

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

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

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

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

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table

**Deer Park Community City School District
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with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

Discount Rate

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

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

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

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	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Proportionate share of the net pension liability	\$5,342,673	\$3,849,909	\$2,599,414

Changes in Benefit Terms

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

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

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	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$20,562,016	\$14,344,265	\$9,106,742

Changes in Assumptions

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

Changes in Benefit Terms

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

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

Net Other Postemployment Benefits (OPEB) Liability

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

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

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

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

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to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was \$39,596.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$52,249 for fiscal year 2018. Of this amount \$39,596 is reported as accrued wages and benefits.

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Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,754,424	\$2,355,947	\$4,110,371
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.06537240%	0.06038365%	
Prior Measurement Date	0.06657749%	0.06101365%	
Change in Proportionate Share	<u>-0.00120509%</u>	<u>-0.00063000%</u>	
OPEB Expense	\$88,615	(\$723,722)	(\$635,107)

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$136,000	\$136,000
Contributions subsequent to the measurement date	<u>52,249</u>	<u>0</u>	<u>52,249</u>
Total Deferred Outflows of Resources	<u>\$52,249</u>	<u>\$136,000</u>	<u>\$188,249</u>
Deferred Inflows of Resources			
Changes of assumptions	\$166,486	\$189,779	\$356,265
Net difference between projected and actual earnings on pension plan investments	4,633	100,699	105,332
Changes in employer proportionate share of net pension liability	<u>25,214</u>	<u>28,879</u>	<u>54,093</u>
Total Deferred Inflows of Resources	<u>\$196,333</u>	<u>\$319,357</u>	<u>\$515,690</u>

\$52,249 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$70,615)	(\$38,951)	(\$109,566)
2020	(70,615)	(38,951)	(109,566)
2021	(53,945)	(38,951)	(92,896)
2022	(1,158)	(38,951)	(40,109)
2023	0	(13,776)	(13,776)
Thereafter	<u>0</u>	<u>(13,777)</u>	<u>(13,777)</u>
Total	<u>(\$196,333)</u>	<u>(\$183,357)</u>	<u>(\$379,690)</u>

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	\$2,118,690	\$1,754,424	\$1,465,832

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	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	\$1,423,583	\$1,754,424	\$2,192,296

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Actuarial Assumptions - STRS

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

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

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

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

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

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

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

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

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

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

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

Discount Rate

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

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

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

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

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

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	\$3,162,821	\$2,355,947	\$1,718,253
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$1,636,811	\$2,355,947	\$3,302,414

Changes in Assumptions – STRS

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

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

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

Note 11 - Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers. Settled claims have not exceeded commercial coverage in any of the past three years.

A summary of significant coverage follows:

Building Contents-replacement cost (\$2,500 deductible)	\$49,927,500
Inland Marine Coverage (\$500 deductible)	300,000
Boiler and Machinery (\$2,500 deductible)	49,927,500
Automobile Liability (\$500 deductible)	1,000,000
Uninsured Motorists (\$500 deductible)	1,000,000
General Liability Per Occurrence	1,000,000
Total General Liability Aggregate Per Year	2,000,000

Ohio Association of School Business Officials Workers' Compensation Group - The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Program, an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program.

The intent of the program is to achieve the benefit of a reduced cost for the School District by virtue of its grouping and representation with other participants in the pool. Each participant pays its workers' compensation premium to the Bureau of Workers' Compensation and then receives rebates based on actual performance of the entire group.

Note 12 - Contingent Liabilities

School District Funding

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

Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2018.

Litigation

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

Note 13 - Fund Balance Reserves for Set-Asides

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

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

	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance as of June 30, 2017	\$0	\$50,000
Current Year Set Aside Requirements	220,390	0
Qualified Disbursements	<u>(222,335)</u>	<u>0</u>
Set Aside Reserve Balance as of June 30, 2018	<u>(\$1,945)</u>	<u>\$50,000</u>
Restricted Cash as of June 30, 2018	\$0	\$50,000

Qualifying disbursements for capital activity during the year was \$222,335, exceeding the amount required for set-aside.

Note 14 - Interfund Transactions

Interfund transactions at June 30, 2018, consisted of the following transfer in and transfer out as well as interfund receivable and interfund payable:

	Transfers		Interfund	
	In	Out	Receivable	Payable
General Fund	\$0	\$833,890	\$341,336	\$0
Debt Service Fund	0	15,336,800	0	0
Building Fund	15,336,800	0	0	0
Other Governmental Funds	<u>996,683</u>	<u>162,793</u>	<u>0</u>	<u>341,336</u>
Total All Funds	<u>\$16,333,483</u>	<u>\$16,333,483</u>	<u>\$341,336</u>	<u>\$341,336</u>

**Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018**

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed. Transfers out of the other governmental funds were for the school wide building program in accordance with a consolidated funding application approved by the Ohio Department of Education. The transfer out of the Debt Service Fund is for a debt payment in Building Fund and is in compliance with the Ohio Revised Code.

Note 15 - Jointly Governed Organizations

Hamilton Clermont Cooperative Information Technology Center - The School District is a participant in the Hamilton Clermont Cooperative Information Technology Center (HCC) which is a computer consortium. HCC is an association of public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of HCC consists of the superintendents and/or treasurers of the participating members. HCC is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the HCC Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

Greater Cincinnati Insurance Consortium – For coverage related to certain benefits the District participates as a member of the Greater Cincinnati Insurance Consortium (GCIC), a shared risk pool, comprised of Hamilton County School Districts and the Hamilton County Educational Service Center. Decisions concerning the operation of the consortium are made by a Board of Directors consisting of one (1) representative selected from each participating member. Each member pays an administrative fee to the pool. Anthem Blue Cross Blue Shield provides claim review and processing.

Great Oaks Career Campuses - The Great Oaks Career Campuses is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative each of the participating school districts' elected board. Great Oaks possesses its own budgeting and taxing authority. To obtain financial information, contact the Treasurer, Great Oaks Career Campuses, 3254 East Kemper Road, Cincinnati, Ohio 45241.

Note 16 – Accountability

The following fund had a deficit fund balance at June 30, 2018:

<u>Fund</u>	<u>Deficit</u>
Other Governmental Funds	
Schoolwide Building Program	\$385,276
Title I	48,481
Special Education	59,970
Improving Teacher Quality	1,167
Miscellaneous Federal Grants	1,000

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Note 17 –Fund Balances

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

Fund Balances	General	Debt Service	Building	Other Governmental Funds	Total
Nonspendable:					
Prepays	\$17,969	\$0	\$0	\$3,606	\$21,575
Total Nonspendable	17,969	0	0	3,606	21,575
Restricted for:					
Straight A Fund	0	0	0	97,894	97,894
Local Grants	0	0	0	7,192	7,192
Vocational Education	0	0	0	1,395	1,395
School Net Professional Development	0	0	0	1,815	1,815
Ohio Reads	0	0	0	902	902
Miscellaneous State Grants	0	0	0	436	436
School to Work	0	0	0	872	872
Title III	0	0	0	5,475	5,475
Student Activity	0	0	0	12,301	12,301
Data Communications	0	0	0	5,400	5,400
Vocational Education Enrichment	0	0	0	501	501
Food Service	0	0	0	239,716	239,716
Debt Service	0	1,726,329	0	0	1,726,329
Permanent Improvement	0	0	0	939,774	939,774
Building	0	0	7,586,571	0	7,586,571
Total Restricted	0	1,726,329	7,586,571	1,313,673	10,626,573
Assigned to:					
Public School	57,744	0	0	0	57,744
Encumbrances	147,909	0	0	0	147,909
Total Assigned	205,653	0	0	0	205,653
Unassigned (Deficit)	13,820,928	0	0	(499,233)	13,321,695
Total Fund Balance	\$14,044,550	\$1,726,329	\$7,586,571	\$818,046	\$24,175,496

Note 18 – Tax Abatements Entered Into By Other Governments

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the City of Deer Park has entered into such an agreement. Under this agreement the District’s property taxes were reduced by approximately \$3,082. The District is not receiving any amounts from this other government in association with the forgone property tax revenue.

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

Note 19 – Subsequent Event

In September 2018, the District completed a \$25 million building project with the funds from the November 2016 bond issue.

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

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

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

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

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

Deer Park Community City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2018

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

Net position June 30, 2017	(\$131,982)
Adjustments:	
Net OPEB Liability	(5,160,731)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>35,559</u>
Restated Net Position June 30, 2017	<u><u>(\$5,257,154)</u></u>

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.06038365%	0.06101365%	0.05918154%	0.05713094%	0.05713094%
District's Proportionate Share of the Net Pension Liability	\$14,344,265	\$20,423,108	\$16,356,047	\$13,896,222	\$16,508,511
District's Covered-Employee Payroll	\$6,697,629	\$6,430,714	\$6,016,200	\$6,286,223	\$6,779,723
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	214.17%	317.59%	271.87%	221.06%	243.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.06443600%	0.06595840%	0.06706220%	0.06378800%	0.06378800%
District's Proportionate Share of the Net Pension Liability	\$3,849,909	\$4,827,546	\$3,826,634	\$3,228,274	\$3,794,403
District's Covered-Employee Payroll	\$2,080,329	\$2,048,421	\$2,456,813	\$1,872,266	\$2,565,954
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	185.06%	235.67%	155.76%	172.43%	147.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$983,928	\$937,668	\$900,300	\$842,268	\$817,209	\$881,364	\$976,788	\$924,036	\$870,600	\$887,568
Contributions in Relation to the Contractually Required Contribution	(983,928)	(937,668)	(900,300)	(842,268)	(817,209)	(881,364)	(976,788)	(924,036)	(870,600)	(887,568)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$7,028,057	\$6,697,629	\$6,430,714	\$6,016,200	\$6,286,223	\$6,779,723	\$7,513,754	\$7,107,969	\$6,696,923	\$6,827,446
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$341,628	\$291,246	\$286,779	\$323,808	\$259,496	\$355,128	\$340,896	\$341,040	\$306,588	\$292,764
Contributions in Relation to the Contractually Required Contribution	(341,628)	(291,246)	(286,779)	(323,808)	(259,496)	(355,128)	(340,896)	(341,040)	(306,588)	(292,764)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$2,530,578	\$2,080,329	\$2,048,421	\$2,456,813	\$1,872,266	\$2,565,954	\$2,534,543	\$2,713,126	\$2,264,313	\$2,975,244
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information.

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.06038365%	0.06101365%
District's Proportionate Share of the Net OPEB Liability	\$2,355,947	\$3,263,026
District's Covered-Employee Payroll	\$6,697,629	\$6,430,714
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	35.18%	50.74%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.06537240%	0.06657749%
District's Proportionate Share of the Net OPEB Liability	\$1,754,424	\$1,897,705
District's Covered-Employee Payroll	\$2,080,329	\$2,048,421
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	84.33%	92.64%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$7,028,057	\$6,697,629	\$6,430,714
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

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

See accompanying notes to the required supplementary information.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution to OPEB (2)	\$52,249	\$35,559	\$32,554
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(52,249)</u>	<u>(35,559)</u>	<u>(32,554)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$2,530,578	\$2,080,329	\$2,048,421
Contributions to OPEB as a Percentage of Covered-Employee Payroll	2.06%	1.71%	1.59%

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

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$10,080,084	\$10,079,135	\$10,060,506	(\$18,629)
Tuition and Fees	294,289	294,261	293,717	(544)
Investment Earnings	178,311	178,295	177,965	(330)
Intergovernmental	4,870,680	4,870,221	4,861,220	(9,001)
Extracurricular Activities	27,289	27,286	27,236	(50)
Other Revenues	688,272	688,207	686,935	(1,272)
Total Revenues	16,138,925	16,137,405	16,107,579	(29,826)
Expenditures:				
Current:				
Instruction:				
Regular	5,919,906	5,919,906	5,609,881	310,025
Special	2,851,823	2,851,823	2,702,473	149,350
Vocational	160,657	160,657	152,243	8,414
Support Services:				
Pupil	917,524	917,524	869,473	48,051
Instructional Staff	681,957	681,957	646,243	35,714
General Administration	135,743	135,743	128,634	7,109
School Administration	1,433,837	1,433,837	1,358,747	75,090
Fiscal	623,240	623,240	590,601	32,639
Business	206,906	206,906	196,070	10,836
Operations and Maintenance	1,475,631	1,475,631	1,398,352	77,279
Pupil Transportation	428,211	428,211	405,786	22,425
Central	161,613	161,613	153,149	8,464
Extracurricular Activities	522,644	522,644	495,273	27,371
Capital Outlay	12,450	12,450	11,798	652
Debt Service:				
Principal Retirement	51,312	51,312	51,312	0
Interest and Fiscal Charges	11,752	11,752	8,449	3,303
Total Expenditures	15,595,206	15,595,206	14,778,484	816,722
Excess of Revenues Over (Under) Expenditures	543,719	542,199	1,329,095	786,896
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	4,688	4,688	4,679	(9)
Advances In	424,928	424,888	424,103	(785)
Advances (Out)	(275,778)	(275,778)	(261,336)	14,442
Transfers (Out)	(879,973)	(879,973)	(833,889)	46,084
Total Other Financing Sources (Uses)	(726,135)	(726,175)	(666,443)	59,732
Net Change in Fund Balance	(182,416)	(183,976)	662,652	846,628
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	10,217,675	10,217,675	10,217,675	0
Fund Balance End of Year	\$10,035,259	\$10,033,699	\$10,880,327	\$846,628

See accompanying notes to the required supplementary information.

Deer Park Community City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2018

Note 1 – Budgetary Process

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

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

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

**Deer Park Community City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2018**

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

Net Change in Fund Balance	
	General
GAAP Basis	\$327,543
Revenue Accruals	266,309
Expenditure Accruals	96,624
Proceeds of Capital Assets	4,679
Transfers (Out)	1
Advances In	424,103
Advances (Out)	(261,336)
Encumbrances	(195,271)
Budget Basis	\$662,652

Note 2 - SERS Change in Assumptions-Net Pension Liability

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

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

Changes in Assumptions

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

Changes in Benefit Terms

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

Note 4 - SERS Change in Assumptions-Net OPEB Liability

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

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

**Deer Park Community City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2018**

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Note 5 - STRS Change in Assumptions-Net OPEB Liability

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

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

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Dear Park Community City School District



**Deer Park
Community
City Schools**

Single Audit Reports

June 30, 2018

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**DEER PARK COMMUNITY CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	3L70	10.553	\$41,300	\$0
National School Lunch Program	3L60	10.555	235,339	48,602
Total Child Nutrition Cluster			276,639	48,602
Total U.S. Department of Agriculture			276,639	48,602
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	301,120	0
Special Education-Preschool Grants	3C50	84.173	10,717	0
Total Special Education Cluster			311,837	0
Title I Grants to Local Educational Agencies	3M00	84.010	256,476	0
Supporting Effective Instruction State Grants	3Y60	84.367	38,501	0
Student Support and Academic Enrichment Program	3H10	84.424	10,000	0
Passed Through Hamilton County				
Educational Service Center:				
English Language Acquisition State Grants	N/A	84.365	5,476	0
Total Department of Education			622,290	0
Total Federal Assistance			\$898,929	\$48,602

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented on the cash basis of accounting. 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). The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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**INDEPENDENT AUDITOR'S 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***

Board of Education
Deer Park Community City 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 Deer Park Community City School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2018, wherein we noted the District adopted GASB No. 75 as discussed in Note 20.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 29, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Deer Park Community City School District

Report on Compliance for Each Major Federal Program

We have audited the Deer Park Community City School District's (the 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 District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the 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 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 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 29, 2018, which contained unmodified opinions on those financial statements, wherein we noted the District adopted GASB No. 75 as disclosed in Note 20. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 29, 2018

**DEER PARK COMMUNITY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

**DEER PARK COMMUNITY CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Summary of Prior Audit Findings and Questioned Costs:

None



Dave Yost • Auditor of State

DEER PARK COMMUNITY CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2018**