MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY

TABLE OF CONTENTS

MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY

TABLE OF CONTENTS
(Continued)

INDEPENDENT AUDITOR'S REPORT

Mariemont City School District
Hamilton County
2 Warrior Way
Cincinnati, Ohio 45227

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.ohioauditor.gov

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

April 10, 2018

The discussion and analysis of Mariemont City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position of governmental activities increased $2,552,199 which represents a 16% increase from 2016.

- General revenues accounted for $27,615,244 in revenue or 94% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $1,852,400 or 6% of total revenues of $29,467,644.

- The District had $26,915,445 in expenses related to governmental activities; $1,852,400 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $27,615,244 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 *Government-wide Financial Statements* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. *Fund financial statements* provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

Government-Wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Government-wide Financial Statements answer 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.

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

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities – All of the District's programs and services are reported as Governmental Activities including instruction, support services, operation of noninstructional 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 2017 compared to 2016:

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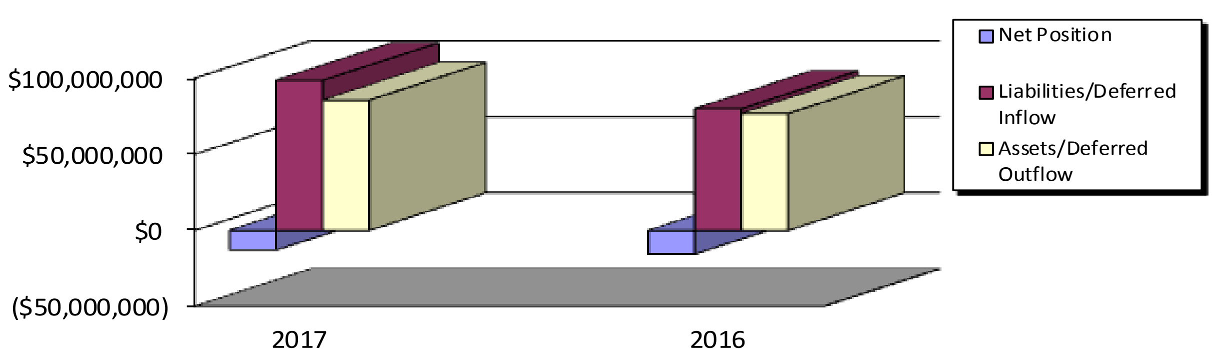
Table 1
Net Position

	Governmental Activities	
	2017	2016
Assets:		
Current and Other Assets	$36,671,291	$34,079,204
Capital Assets	41,715,337	42,725,640
Total Assets	78,386,628	76,804,844
Deferred Outflows of Resources:		
Deferred Charge on Refunding	19,293	21,437
Pension	7,235,196	3,042,664
Total Deferred Outflows of Resources	7,254,489	3,064,101
Liabilities:		
Other Liabilities	2,454,303	2,415,657
Long-Term Liabilities	83,970,820	77,599,966
Total Liabilities	86,425,123	80,015,623
Deferred Inflows of Resources:		
Property Taxes	12,005,584	13,154,584
Pension	182,230	2,222,757
Total Deferred Inflows of Resources	12,187,814	15,377,341
Net Position:		
Net Investment in Capital Assets	(3,866,219)	(4,112,933)
Restricted	2,434,841	2,167,043
Unrestricted	(11,540,442)	(13,578,129)
Total Net Position	($12,971,820)	($15,524,019)



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows of resources were less than liabilities and deferred inflows of resources by $12,971,820.

At year-end, capital assets represented 53% of total assets. Capital assets include land, buildings and improvements, equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2017, were ($3,866,219). 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, $2,434,841 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.

Total assets increased from the prior year mainly due to the increase in the District's cash and investments. Long-term liabilities increased due to the increase in Net Pension Liability from 2016 to 2017.

Table 2 shows the changes in net position for fiscal years 2017 and 2016.

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Table 2
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues		
Charges for Services	$792,525	$1,000,097
Operating Grants, Contributions	1,059,875	1,099,727
General Revenues:		
Property Taxes	21,690,857	17,836,868
Grants and Entitlements	5,779,004	5,897,434
Investment Earnings	38,749	81,901
Other	106,634	70,108
Total Revenues	29,467,644	25,986,135
Program Expenses:		
Instruction	15,241,326	13,672,493
Support Services:		
Pupil and Instructional Staff	2,742,705	2,479,044
School Administrative, General Administration, Fiscal and Business	2,452,110	2,261,994
Operations and Maintenance	2,545,570	2,340,073
Pupil Transportation	905,709	910,694
Central	173,953	173,017
Operation of Non-Instructional Services	486,944	496,832
Extracurricular Activities	953,816	959,028
Interest and Fiscal Charges	1,413,312	2,053,534
Total Program Expenses	26,915,445	25,346,709
Change in Net Position	2,552,199	639,426
Net Position - Beginning of Year	(15,524,019)	(16,163,445)
Net Position - End of Year	($12,971,820)	($15,524,019)

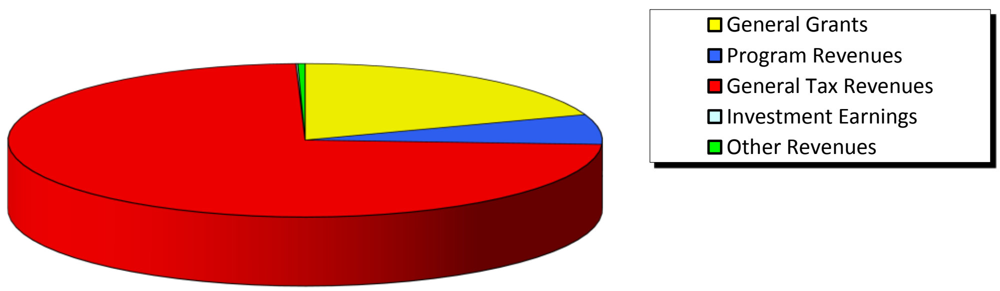
The District revenues are mainly from two sources. Property taxes levied for general and debt service purposes, and grants and entitlements comprised 93% of the District's revenues for governmental activities.

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 and must regularly return to the voters to maintain a constant level of service. Property taxes made up 74% of revenue for governmental activities for the District in fiscal year 2017.

Governmental Activities
Revenue Sources

	2017	Percentage
General Grants	$5,779,004	19.60%
Program Revenues	1,852,400	6.30%
General Tax Revenues	21,690,857	73.60%
Investment Earnings	38,749	0.10%
Other Revenues	106,634	0.40%
Total Revenue Sources	$29,467,644	100.00%



Instruction comprises 57% of governmental program expenses. Support services expenses were 33% of governmental program expenses. All other expenses including interest and fiscal charges were 10%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Program revenues decreased from the prior year due to a decrease in charges for services and sales. General revenues increased due to an increase in property tax revenue.

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. These services are mainly supported by tax revenue and unrestricted State entitlements.

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Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	$15,241,326	$13,672,493	($14,464,361)	($12,822,686)
Support Services:				
Pupil and Instructional Staff	2,742,705	2,479,044	(2,504,084)	(2,272,603)
School Administrative, General Administration, Fiscal and Business	2,452,110	2,261,994	(2,452,110)	(2,261,994)
Operations and Maintenance	2,545,570	2,340,073	(2,545,570)	(2,340,073)
Pupil Transportation	905,709	910,694	(884,243)	(887,137)
Central	173,953	173,017	(173,953)	(173,017)
Operation of Non-Instructional Services	486,944	496,832	(23,466)	3,236
Extracurricular Activities	953,816	959,028	(601,946)	(439,077)
Interest and Fiscal Charges	1,413,312	2,053,534	(1,413,312)	(2,053,534)
Total Expenses	$26,915,445	$25,346,709	($25,063,045)	($23,246,885)

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the General Fund comprised $32,752,928 (89%) of the total $36,671,291 governmental funds assets.

General Fund: Fund balance at June 30, 2017 was $19,136,166 including $19,067,320 of unassigned balance. The District had an increase in fund balance of $3,273,630. The increase was mainly due to an increase in property tax revenue.

General Fund Budgeting Highlights

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

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 $23,369,151, compared to original budget estimates of $23,225,173.

The District's unobligated cash balance for the General Fund was $14,301,706.

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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had $41,715,337 invested in land, buildings and improvements, equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

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

	Governmental Activities	
	2017	2016
Land	$1,110,469	$1,110,469
Buildings and Improvements	39,471,508	40,456,574
Equipment	1,133,360	1,158,597
Total Net Capital Assets	$41,715,337	$42,725,640

Total Net Capital Assets decreased in 2017 as compared to 2016 because depreciation expense was greater than current year additions.

See Note 7 to the Basic Financial Statements for further details on the District's capital assets.

Debt

At June 30, 2017, the District had $45,600,849 in debt outstanding, $1,253,018 due within one year. Table 5 summarizes total debt outstanding.

Table 5
Outstanding Debt at Year End

	2017	2016
General Obligation Bonds Payable:		
Certificate of Participation	$1,535,000	$1,625,000
Permanent Improvement Bonds 2010 BABs	27,900,000	27,995,000
Permanent Improvement Bonds 2010 QSCB	10,035,000	10,445,000
Permanent Improvement Bonds 2005	440,000	880,000
Refunding Bonds - 2015	3,860,000	3,910,000
Premium and Discount on Bonds	847,324	893,973
Capital Leases	983,525	1,111,037
Total Outstanding Debt at Year End	$45,600,849	$46,860,010

See Notes 8 and 9 to the Basic Financial Statements for further details on the District's obligations.

Economic Outlook

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. HBl of the 128th General Assembly) established another new funding formula called the Evidence-Based Model (EBM). Am. Sub. HB 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula, the Bridge Formula, for the 12-13 school year as a new funding formula was developed. The State revised the funding model in June, 2013 and adopted HB 59, the FY 14 and FY 15 biennium budget which again changed our funding formula, but not our funding. In June 2015, Ohio's Governor signed HB64, the state biennium budget bill for FY 16 and FY 17. This made further changes to the funding formula.

Given the uncertainty of the school funding formula and the economic conditions within the State, the level at which the State will fund schools in the future remains uncertain. The District remains concerned about the instability of the state economy and the political ramifications of changing the funding formula every two years. We plan carefully and prudently to provide resources to meet the needs of our students but the uncertainty of state funding challenges our planning.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for money it receives. If you have questions about this report or need additional financial information, contact Treasurer at Mariemont City School District, 2 Warrior Way, Mariemont, OH 45227.

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Mariemont City School District, Ohio
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	$16,049,320
Restricted Cash and Investments	140,000
Receivables (Net):	
Taxes	20,364,639
Accounts	38,628
Interest	7,672
Intergovernmental	44,483
Prepaids	17,550
Inventory	8,999
Nondepreciable Capital Assets	1,110,469
Depreciable Capital Assets, Net	40,604,868
Total Assets	78,386,628
Deferred Outflows of Resources:	
Deferred Charge on Refunding	19,293
Pension	7,235,196
Total Deferred Outflows of Resources	7,254,489
Liabilities:	
Accounts Payable	34,353
Accrued Wages and Benefits	2,300,121
Accrued Interest Payable	119,829
Long-Term Liabilities:	
Due Within One Year	1,344,933
Due In More Than One Year:	
Net Pension Liability	37,821,015
Other Amounts	44,804,872
Total Liabilities	86,425,123
Deferred Inflows of Resources:	
Property Taxes	12,005,584
Pension	182,230
Total Deferred Inflows of Resources	12,187,814
Net Position:	
Net Investment in Capital Assets	(3,866,219)
Restricted for:	
Debt Service	1,830,182
Capital Projects	199,478
District Managed Activities	143,043
Auxiliary Services	51,591
Food Service	33,185
Federal Grants	44,483
Other Purposes	132,879
Unrestricted	(11,540,442)
Total Net Position	($12,971,820)

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$12,654,531	$237,960	$57,040	($12,359,531)
Special	2,397,251	9,430	470,615	(1,917,206)
Adult	895	0	0	(895)
Other	188,649	1,920	0	(186,729)
Support Services:				
Pupil	1,752,789	0	196,645	(1,556,144)
Instructional Staff	989,916	0	41,976	(947,940)
General Administration	18,725	0	0	(18,725)
School Administration	1,780,595	0	0	(1,780,595)
Fiscal	639,904	0	0	(639,904)
Business	12,886	0	0	(12,886)
Operations and Maintenance	2,545,570	0	0	(2,545,570)
Pupil Transportation	905,709	0	21,466	(884,243)
Central	173,953	0	0	(173,953)
Operation of Non-Instructional Services	486,944	191,345	272,133	(23,466)
Extracurricular Activities	953,816	351,870	0	(601,946)
Interest and Fiscal Charges	1,413,312	0	0	(1,413,312)
Totals	$26,915,445	$792,525	$1,059,875	(25,063,045)

General Revenues:	
Property Taxes Levied for:	
General Purposes	19,319,404
Debt Service Purposes	2,371,453
Grants and Entitlements, Not Restricted	5,779,004
Unrestricted Contributions	229
Investment Earnings	38,749
Other Revenues	106,405
Total General Revenues	27,615,244
Change in Net Position	2,552,199
Net Position - Beginning of Year	(15,524,019)
Net Position - End of Year	($12,971,820)

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	$14,459,174	$1,590,146	$16,049,320
Restricted Cash and Investments	140,000	0	140,000
Receivables (Net):			
Taxes	18,090,173	2,274,466	20,364,639
Accounts	38,462	166	38,628
Interest	7,672	0	7,672
Intergovernmental	0	44,483	44,483
Prepaids	17,447	103	17,550
Inventory	0	8,999	8,999
Total Assets	32,752,928	3,918,363	36,671,291
Liabilities:			
Accounts Payable	21,166	13,187	34,353
Accrued Wages and Benefits	2,286,643	13,478	2,300,121
Compensated Absences	61,248	0	61,248
Total Liabilities	2,369,057	26,665	2,395,722
Deferred Inflows of Resources:			
Property Taxes	11,240,173	1,424,466	12,664,639
Grants and Other Taxes	0	33,333	33,333
Investment Earnings	7,532	0	7,532
Total Deferred Inflows of Resources	11,247,705	1,457,799	12,705,504
Fund Balances:			
Nonspendable	17,447	103	17,550
Restricted	0	2,433,796	2,433,796
Assigned	51,399	0	51,399
Unassigned	19,067,320	0	19,067,320
Total Fund Balances	19,136,166	2,433,899	21,570,065
Total Liabilities, Deferred Inflows and Fund Balances	$32,752,928	$3,918,363	$36,671,291

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balance		$21,570,065
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		41,715,337
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	659,055	
Interest	7,532	
Intergovernmental	33,333	
		699,920
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.		(119,829)
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		(487,708)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		19,293
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	7,235,196	
Deferred inflows of resources related to pensions	(182,230)	
		7,052,966
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(37,821,015)	
Other Amounts	(45,600,849)	
		(83,421,864)
Net Position of Governmental Activities		($12,971,820)

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	$19,176,193	$2,352,343	$21,528,536
Tuition and Fees	239,805	0	239,805
Investment Earnings	37,970	848	38,818
Intergovernmental	5,828,370	989,599	6,817,969
Extracurricular Activities	50,065	278,588	328,653
Charges for Services	0	189,120	189,120
Other Revenues	118,392	21,180	139,572
Total Revenues	25,450,795	3,831,678	29,282,473
Expenditures:			
Current:			
Instruction:			
Regular	10,795,098	17,269	10,812,367
Special	2,003,666	238,570	2,242,236
Adult	895	0	895
Other	188,649	0	188,649
Support Services:			
Pupil	1,486,576	186,131	1,672,707
Instructional Staff	907,622	48,434	956,056
General Administration	12,943	5,425	18,368
School Administration	1,576,187	0	1,576,187
Fiscal	598,902	26,414	625,316
Business	12,886	0	12,886
Operations and Maintenance	2,493,447	0	2,493,447
Pupil Transportation	912,827	0	912,827
Central	164,125	0	164,125
Operation of Non-Instructional Services	0	470,188	470,188
Extracurricular Activities	617,480	254,289	871,769
Capital Outlay	93,745	0	93,745
Debt Service:			
Principal Retirement	217,512	995,000	1,212,512
Interest and Fiscal Charges	94,605	1,364,575	1,459,180
Total Expenditures	22,177,165	3,606,295	25,783,460
Net Change in Fund Balance	3,273,630	225,383	3,499,013
Fund Balance - Beginning of Year	15,862,536	2,208,516	18,071,052
Fund Balance - End of Year	$19,136,166	$2,433,899	$21,570,065

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
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, 2017

Net Change in Fund Balance - Total Governmental Funds		$3,499,013
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	140,417	
Depreciation Expense	(1,150,720)	
		(1,010,303)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activites, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions	1,815,982	
Cost of benefits earned net of employee contrbutions	(3,037,253)	
		(1,221,271)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	162,322	
Interest	(69)	
Intergovernmental	22,918	
		185,171
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,212,512
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		1,363
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	(158,791)	
Amortization of Bond Premium	47,463	
Amortization of Deferred Charge on Refunding	(2,144)	
Amortization of Bond Discount	(814)	
		(114,286)
Change in Net Position of Governmental Activities		$2,552,199

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2017

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	$85,550	$67,278
Receivables (Net):		
Accounts	0	665
Total Assets	85,550	67,943
Liabilities:		
Other Liabilities	0	67,943
Total Liabilities	0	$67,943
Net Position:		
Held in Trust	85,550	
Total Net Position	$85,550	

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions:	
Investment Earnings	$510
Total Additions	510
Deductions:	
Scholarships	450
Total Deductions	450
Change in Net Position	60
Net Position - Beginning of Year	85,490
Net Position - End of Year	$85,550

See accompanying notes to the basic financial statements.

Note 1 – Description of the District

The District was chartered by the Ohio State Legislature. In 1853 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 mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 60 non-certificated personnel and 130 certificated full time teaching and administrative personnel to provide services to students and other community members. The District is the 15th largest in Hamilton County (among 22 Districts) in terms of enrollment. It currently operates 2 elementary schools, 1 junior high school (grades 7-8), and 1 high school (grades 9-12).

Reporting Entity

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

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

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 13.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

Government-wide Financial Statements

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues 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

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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.

Governmental Funds

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

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

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary Funds report on net position and changes in net position. The District's fiduciary funds consist of a private-purpose trust fund and agency funds. The District's private-purpose trust fund accounts for scholarship programs for students from the Fairfax attendance area. These assets are not available for the District's use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District accounts for student activities in its agency funds.

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.

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. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, grants, and other taxes.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The deferred outflows of resources related to a deferred charge on refunding and pension are reported on the governmental-wide statement of net position. For more pension related information, see Note 10.

The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District, deferred inflows of resources include property taxes, pension, grants, and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and investment earnings are recorded as deferred inflows only on the governmental fund financial statements. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. For more pension related information, see Note 10.

Expenses/Expenditures

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

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

Cash and Investments

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

Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. (If a quoted market price is not available, the methods and significant assumptions used to estimate the fair value of investments must be disclosed.) Non-participating investment contracts such as repurchase agreements and non-negotiable certificates of deposit 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 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2017, $37,970 was credited to the general fund, and $848 was credited to other governmental funds.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve as required by State statute.

	Capital Acquisition	Budget Stabilization
Set Aside Cash Balance as of June 30, 2016	$0	$140,000
Current Year Set-Aside Requirements	309,495	0
Qualified Disbursements	(1,041,975)	0
Current year Offsets	0	0
Set Aside Reserve Balance as of June 30, 2017	($732,480)	$140,000
Set-Aside Cash as of June 30, 2017	$0	$140,000

Effective July 1, 2011, the textbook reserve requirement was eliminated; therefore, no balance or other information is presented.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated food, purchased food, and school supplies held for resale and are expensed when used.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements but are not reported in the governmental fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Description	Estimated Lives
Buildings and Improvements	20-50 years
Furniture and Equipment	5-15 years
Vehicles	8-10 years

Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

Vacation	Certified	Administrators	Non-Certificated
How Earned	Not Eligible	25 days	10-20 days for each service year, depending on length of service
Maximum Accumulation	Not Applicable	25 days	20 days
Vested	Not Applicable	25 days	20 days

Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
Sick Leave			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	230 days	Contract days	230 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per contract	Per contract	Per contract

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, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

Accrued Liabilities And Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Pensions

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

Net Position

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

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.

Unamortized Bond Issuance Costs/Bond Premium And Discount

On government-wide financial statements, bond issuance costs are recognized in the current period.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental financial statements, issuance costs and bond premiums are recognized in the current period.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

> Nonspendable – the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.
>
> Restricted – is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.
>
> Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
>
> Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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

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

Note 3 – Fund Balance/Net Position Deficit

The District had no deficit fund balances during the 2017 fiscal year.

Note 4 - Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type 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 - Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim Monies – Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

(1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

(2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

(3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

(4) Bonds and other obligations of the State of Ohio;

(5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

(6) The State Treasurer’s investment pool (STAR Ohio);

(7) Certain bankers’ acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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.

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year-end, $11,160,816 of the District's bank balance of $11,410,816 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments

As of June 30, 2017, the District had the following investments:

	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Money Market Funds	$39,123	N/A	0.00
Star Ohio	2,742,443	N/A	0.12
Negotiable CDs	2,413,584	Level 2	1.93
Total Investments	$5,195,150		
Portfolio Weighted Average Maturity			0.96

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, 2017. As discussed further in Note 2, STAR Ohio is reported at its share price (Net Asset value per 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 value by limiting the maximum maturity of investments in its portfolio to five 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 a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The District's investments in STAR Ohio were rated AAAm by Standard & Poor's. Money Market Funds and Negotiable CDs were not rated.

Concentration of Credit Risk – Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District is required to disclose the amount of investments with any one issuer that represent five percent or more of total investments. Of the District's total investments, 53% is in STAR Ohio, 46% is in Negotiable CDs and 1% is in Money Market Funds.

Custodial credit risk is the risk that in the event of a failure of a counter party, 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. The District's investment securities are registered in the name of the District.

Note 5 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at twenty-five percent of true value (as defined). In 2015, each business was eligible to receive a $10,000 exemption in assessed value, which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2017, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th.

The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes that are measurable at June 30, 2017. Property tax advances available at year end and delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2017. All other tax receivables are recorded with an offset credit to deferred revenue, because although measurable, they are intended to finance the next fiscal year's operations.

Property taxes include amounts levied against real, public utility and tangible personal (business) property.

The assessed value, by property classification, upon which taxes collected in 2017 were based are as follows:

	Amount
Tangible Personal Property	$8,098,000
Real Property	350,165,180
Total	$358,263,180

Note 6 – Receivables

Receivables at June 30, 2017 consisted of taxes, accounts, interest, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose of the nonpayment of taxes, the stable condition of State Programs, and the current year guarantee of Federal Funds.

Note 7 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$1,110,469	$0	$0	$1,110,469
Capital Assets, being depreciated:				
Buildings and Improvements	50,724,890	57,868	0	50,782,758
Equipment	1,587,444	54,764	0	1,642,208
Vehicles	31,500	27,785	0	59,285
Totals at Historical Cost	53,454,303	140,417	0	53,594,720
Less Accumulated Depreciation:				
Buildings and Improvements	10,268,316	1,042,934	0	11,311,250
Equipment	428,847	104,313	0	533,160
Vehicles	31,500	3,473	0	34,973
Total Accumulated Depreciation	10,728,663	1,150,720	0	11,879,383
Governmental Activities Capital Assets, Net	$42,725,640	($1,010,303)	$0	$41,715,337

Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	$1,125,934
Special	208
Support Services:	
Operations and Maintenance	1,743
Pupil Transportation	3,482
Operation of Non-Instructional Services	12,060
Extracurricular Activities	7,293
Total Depreciation Expense	$1,150,720

Note 8 – Capitalized Leases - Lessee

In prior years, the District has entered into capitalized leases for the acquisition of phone, office, musical and energy conservation equipment and building improvements. The terms of each equipment lease agreement provide options to purchase the equipment. The cost of equipment under capital lease at June 30, 2017 is $985,668. The cost of building improvements under capital lease at June 30, 2017 is $1,078,600. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service in the basic financial statements for the governmental funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2017.

Fiscal Year Ending June 30	Amount
2018	$175,578
2019	176,282
2020	175,656
2021	175,348
2022	175,752
2023-2025	273,868
Total Minimum Lease Payments	1,152,484
Less: Amounts representing interest	168,959
Present Value of Minimum Lease Payments	$983,525

Note 9 - Long-Term Liabilities

In 2012, the District issued $1,995,000 of certificates of participation. The purpose of the certificates was to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment.

In 2011, the District issued $39,800,000 of general obligation bonds. The purpose of the bonds was to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment.

In 2005, the District issued $5,124,989 in general obligation refunding bonds to provide resources that were placed in an irrevocable trust for the purpose of providing resources for all future debt service payments of $4,382,067 of general obligations bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position.

The following changes occurred in long-term liabilities during the year ended June 30, 2017:

	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:					
General Obligation Bonds:					
Certificate of Participation - 2012	$1,625,000	$0	($90,000)	$1,535,000	$95,000
Permanent Improvement Bonds - 2010 - BABs	27,995,000	0	(95,000)	27,900,000	75,000
Permanent Improvement Bonds - 2010 - QSCB	10,445,000	0	(410,000)	10,035,000	460,000
Permanent Improvement Bonds - 2005	880,000	0	(440,000)	440,000	440,000
Refunding Bonds - 2015	3,910,000	0	(50,000)	3,860,000	50,000
Premium on Bonds - Series 2010	626,570	0	(19,580)	606,990	0
Premium on Refunding Bonds - Series 2015	278,834	0	(27,883)	250,951	0
Discount on Issuance - COP 2012	(11,431)	0	814	(10,617)	0
Subtotal Bonds	45,748,973	0	(1,131,649)	44,617,324	1,120,000
Capital Leases	1,111,037	0	(127,512)	983,525	133,018
Compensated Absences	373,271	243,488	(67,803)	548,956	91,915
Subtotal Bonds & Other Amounts	47,233,281	243,488	(1,326,964)	46,149,805	1,344,933
Net Pension Liability:					
STRS	25,124,984	6,026,529	0	31,151,513	0
SERS	5,241,701	1,427,801	0	6,669,502	0
Subtotal Net Pension Liability	30,366,685	7,454,330	0	37,821,015	0
Total Governmental Activities	$77,599,966	$7,697,818	($1,326,964)	$83,970,820	$1,344,933

Bonds will be paid from the Bond Retirement fund and capital leases and certificates of participation will be paid from the General Fund.

The following is a summary of the District's future annual debt service requirements to maturity for general obligation certificates/bonds:

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Fiscal Year	General Obligation Bonds		
Ending June 30	Principal	Interest	Total
2018	$1,120,000	$1,405,233	$2,525,233
2019	1,300,000	1,394,330	$2,694,330
2020	1,345,000	1,378,952	$2,723,952
2021	1,390,000	1,364,748	$2,754,748
2022	1,610,000	1,348,234	$2,958,234
2023-2027	9,615,000	6,386,797	$16,001,797
2028-2032	5,300,000	5,490,896	$10,790,896
2033-2037	7,150,000	4,194,574	$11,344,574
2038-2042	5,380,000	2,805,362	$8,185,362
2043-2047	7,835,000	1,322,812	$9,157,812
2048	1,725,000	39,292	$1,764,292
Total	$43,770,000	$27,131,230	$70,901,230

Note 10 - 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:

	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 Benefi	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent 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.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the employer is required to contribute 14 percent 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 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was $398,566 for fiscal year 2017. Of this amount $68,506 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The employer was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was $1,417,416 for fiscal year 2017. Of this amount $239,668 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2016, 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:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$6,669,502	$31,151,513	$37,821,015
Proportion of the Net Pension Liability	0.09112490%	0.09306456%	
Pension Expense	752,097	2,285,156	3,037,253

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

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$89,956	$1,258,670	$1,348,626
Changes of assumptions	445,226	0	445,226
Net difference between projected and actual earnings on pension plan investments	550,137	2,586,413	3,136,550
Changes in employer proportionate share of net pension liability	0	488,812	488,812
Contributions subsequent to the measurement date	398,566	1,417,416	1,815,982
Total Deferred Outflows of Resources	$1,483,885	$5,751,311	$7,235,196
Deferred Inflows of Resources			
Changes in employer proportionate share of net pension liability	$39,521	$142,709	$182,230
Total Deferred Inflows of Resources	$39,521	$142,709	$182,230

$1,815,982 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2018	$256,214	$683,426	$939,640
2019	255,818	683,426	939,244
2020	375,624	1,675,905	2,051,529
2021	158,142	1,148,429	1,306,571
Total	$1,045,798	$4,191,186	$5,236,984

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50-18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
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 percent. 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 percent). 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 percent, 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 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$8,830,005	$6,669,502	$4,801,071

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	$41,397,830	$31,151,513	$22,508,141

Changes Between Measurement Date and Report Date

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

Note 11 - Post Employment Benefits

School Employees Retirement System

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were $0, $0, and $73,125, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0, $0, and $0, respectively.

Note 12 - Contingent Liabilities

School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

Grants

The District 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. 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 at June 30, 2017.

Litigation

Currently, no litigation is pending against the District.

Note 13 - Jointly Governed Organizations

HAMILTON CLERMONT COOPERATIVE INFORMATION TECHNOLOGY CENTER

The Hamilton Clermont Cooperative Information Technology Center (HCC) is a governmental jointly governed organization among two county consortium of school districts. 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 districts. Each of the governments of these schools supports HCC based upon a per pupil charge dependent upon the software package utilized. HCC is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

GREAT OAKS CAREER CAMPUSES

The Great Oaks Career Campuses (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio

Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the District. The District has no ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

GREATER CINCINNATI INSURANCE CONSORTIUM

The District is a member of the Greater Cincinnati Insurance Consortium (GCIC) which is a group insurance consortium. The Consortium is a jointly governed organization with member governmental entities and provides a wide range of group insurance benefits to each member schools employees and dependents and designated beneficiaries. The purpose of the consortium is to establish and maintain a fund to provide and/or purchase health insurance, dental insurance, life insurance and other insurance benefits to employees, their dependents and designated beneficiaries. The consortium is governed by a Board of Directors made up from one representative of each school district/service center.

Note 14 - Risk Management

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. Payments have not exceeded this coverage in any of the past three years. There has been no significant decline in coverage from the prior year.

Note 15 – Fund Balances

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

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Fund Balances	General	Other Governmental Funds	Total
Nonspendable on:			
Prepaids	$17,447	$103	$17,550
Total Nonspendable	17,447	103	17,550
Restricted for:			
Art Connection Grant	0	6,506	6,506
Instructional Music	0	143,043	143,043
Career Development	0	51,488	51,488
Title I	0	11,150	11,150
Food Service	0	33,185	33,185
Vending Machine	0	126,373	126,373
Bond Retirement	0	1,862,573	1,862,573
Permanent Improvement	0	199,478	199,478
Total Restricted	0	2,433,796	2,433,796
Assigned to:			
Encumbrances	51,399	0	51,399
Total Assigned	51,399	0	51,399
Unassigned (Deficit)	19,067,320	0	19,067,320
Total Fund Balance	$19,136,166	$2,433,899	$21,570,065

Note 16 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units – An Amendment of GASB No. 14.*

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

Note 17 – 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, Village of Mariemont has entered into such an agreement. Under this agreement the District's property taxes were reduced by approximately $545,978. The District is not receiving any amounts from this other government in association with the forgone property tax revenue.

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REQUIRED SUPPLEMENTARY INFORMATION

Mariemont City School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	$17,296,149	$17,403,372	$17,811,193	$407,821
Tuition and Fees	40,813	41,066	42,028	962
Investment Earnings	67,924	68,345	69,947	1,602
Intergovernmental	5,660,756	5,695,849	5,829,322	133,473
Extracurricular Activities	48,593	48,894	50,040	1,146
Other Revenues	110,938	111,625	114,241	2,616
Total Revenues	23,225,173	23,369,151	23,916,771	547,620
Expenditures:				
Current:				
Instruction:				
Regular	10,759,593	10,759,593	10,535,713	223,880
Special	2,061,247	2,061,247	2,018,358	42,889
Other	192,658	192,658	188,649	4,009
Support Services:				
Pupil	1,517,880	1,517,880	1,486,297	31,583
Instructional Staff	947,991	947,991	928,266	19,725
General Administration	13,218	13,218	12,943	275
School Administration	1,625,660	1,625,660	1,591,834	33,826
Fiscal	614,593	614,593	601,805	12,788
Business	13,160	13,160	12,886	274
Operations and Maintenance	2,590,699	2,590,699	2,536,793	53,906
Pupil Transportation	932,224	932,224	912,827	19,397
Central	170,180	170,180	166,639	3,541
Extracurricular Activities	629,618	629,618	616,517	13,101
Capital Outlay	111,592	111,592	109,270	2,322
Debt Service:				
Principal Retirement	223,998	223,998	219,337	4,661
Interest and Fiscal Charges	94,752	94,752	92,780	1,972
Total Expenditures	22,499,063	22,499,063	22,030,914	468,149
Excess of Revenues Over (Under) Expenditures	726,110	870,088	1,885,857	1,015,769
Other Financing Sources (Uses):				
Transfers In	38,843	39,084	40,000	916
Transfers (Out)	(40,850)	(40,850)	(40,000)	850
Total Other Financing Sources (Uses)	(2,007)	(1,766)	0	1,766
Net Change in Fund Balance	724,103	868,322	1,885,857	1,017,535
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	12,415,849	12,415,849	12,415,849	0
Fund Balance - End of Year	$13,139,952	$13,284,171	$14,301,706	$1,017,535

See accompanying notes to the basic financial statements.

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 2017.

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 and Actual (Non-GAAP Basis) 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 an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).

4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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	$3,273,630
Revenue Accruals	(1,534,985)
Expenditure Accruals	218,716
Transfer In	40,000
Transfer (Out)	(40,000)
Encumbrances	(71,653)
Funds Budgeted Elsewhere	149
Budget Basis	$1,885,857

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Mariemont 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 Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.09306456%	0.09091043%	0.09174238%	0.09174238%
District's Proportionate Share of the Net Pension Liability	$31,151,513	$25,124,984	$22,314,922	$26,509,803
District's Covered-Employee Payroll	$9,717,857	$9,409,714	$10,094,577	$10,380,831
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	320.56%	267.01%	221.06%	255.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2014 is not available

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

Mariemont 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 Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.091125%	0.091861%	0.092136%	0.092136%
District's Proportionate Share of the Net Pension Liability	$6,669,502	$5,241,701	$4,662,951	$5,480,674
District's Covered-Employee Payroll	$2,830,000	$3,534,090	$2,704,329	$3,118,439
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.67%	148.32%	172.43%	175.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) - Information prior to 2014 is not available

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

Mariemont City School District
Required Supplementary Information
Schedule of District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$1,417,416	$1,360,500	$1,317,360	$1,312,295	$1,349,508	$1,383,048	$1,430,364	$1,435,236	$1,396,656	$1,323,072
Contributions in Relation to the Contractually Required Contribution	(1,417,416)	(1,360,500)	(1,317,360)	(1,312,295)	(1,349,508)	(1,383,048)	(1,430,364)	(1,435,236)	(1,396,656)	(1,323,072)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
District Covered-Employee Payroll	$10,124,400	$9,717,857	$9,409,714	$10,094,577	$10,380,831	$10,638,831	$11,002,800	$11,040,277	$10,743,508	$10,177,477
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Mariemont City School District
Required Supplementary Information
Schedule of District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$398,566	$396,200	$465,793	$374,820	$431,592	$413,160	$406,248	$326,316	$366,984	$348,012
Contributions in Relation to the Contractually Required Contribution	(398,566)	(396,200)	(465,793)	(374,820)	(431,592)	(413,160)	(406,248)	(326,316)	(366,984)	(348,012)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
District Covered-Employee Payroll	$2,846,900	$2,830,000	$3,534,090	$2,704,329	$3,118,439	$3,071,822	$3,231,885	$2,410,015	$3,729,512	$3,543,910
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

Mariemont City School District
Hamilton County
2 Warrior Way
Cincinnati, Ohio 45227

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the General fund, and the aggregate remaining fund information of the Mariemont City School District, Hamilton County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 10, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

April 10, 2018

Dave Yost • Auditor of State

MARIEMONT 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
MAY 10, 2018