Reading Community City School District
Hamilton County
Single Audit
For the Fiscal Year Ended June 30, 2017

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

# Dave Yost • Auditor of State

Board of Education
Reading Community City School District
1301 Bonnell Avenue
Reading, Ohio 45215

We have reviewed the *Independent Auditor's Report* of the Reading Community City School District, Hamilton County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

December 22, 2017

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Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

## Independent Auditor's Report

Board of Education
Reading Community City School District
1301 Bonnell Avenue
Reading, Ohio 45215

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reading Community 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

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**45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978**
**Fax: 888.876.8549**
**natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com**
**www.millhuffstangcpa.com**

### *Opinions*

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

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4 through 10, 51, and 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

October 27, 2017

The Reading Community City School District is presenting the following discussion and analysis in order to provide 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 notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

## Financial Highlights

- In total, net position decreased by $1,786,874 or 12 percent.
- General revenues accounted for $14,298,975 or 71 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $5,915,388 or 29 percent of total revenues of $20,214,363.
- The District had $22,001,237 in expenses for governmental activities; only $5,915,388 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily property taxes and entitlements) and beginning net position were sufficient to provide these services.
- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2017 by $12,759,508. Of this amount, ($18,439,036) may be used to meet the District's ongoing financial obligations. This unrestricted balance was significantly adversely impacted by the implementation of GASB Statement No. 68, which was implemented in fiscal year 2015. The remaining amounts represent the difference between capital assets and related debt and net position amounts restricted for specific purposes.
- The General Fund reported a positive fund balance of $4,702,926.

## Reviewing the Basic Financial Statements

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

The *statement of net position and statement of activities* provide information about the activities of the whole 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 major funds with all other nonmajor funds presented in total in one column. The major funds for the District are the general fund, the bond retirement debt service fund, and the construction capital projects fund.

## Reporting the District as a Whole

The most common financial question posed to the District is "How did we do financially during 2017?" The *statement of net position* and the *statement of activities*, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These statements include *all assets, liabilities, and deferred inflows/outflows of resources* using the accrual basis of accounting, which is 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, for the District as a whole, whether the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs, and other factors.

In the statement of net position and the statement of activities, all of the District's programs and services are reported as governmental activities.

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

Fund financial statements 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 major funds.

***Governmental Funds*** – All 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 financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) 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 –*** The District maintains three fiduciary funds, an agency fund and two private purpose trust funds. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Private purpose trust funds account for resources, including principal and earnings, which must be expended according to the provision of a trust agreement. Fiduciary funds use the accrual basis of accounting.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. Table 1 below provides a summary of the District's net position for 2017 and 2016:

Table 1
Net Position
Governmental Activities

| | 2017 | 2016 |
|---|---|---|
| Assets | | |
| Current and Other Assets | $65,839,842 | $94,088,212 |
| Capital Assets, Net | 5,919,308 | 3,256,499 |
| Total Assets | 71,759,150 | 97,344,711 |
| | | |
| Deferred Outflows of Resources | 6,003,696 | 3,189,489 |
| | | |
| Liabilities | | |
| Current and Other Liabilities | 1,975,695 | 2,089,467 |
| Long-Term Liabilities | 56,411,577 | 76,831,224 |
| Total Liabilities | 58,387,272 | 78,920,691 |
| | | |
| Deferred Inflows of Resources | $6,616,066 | $7,067,127 |
| | | |
| Net Position | | |
| Net Investment in Capital Assets | 1,590,498 | 631,466 |
| Restricted | 29,608,046 | 29,756,587 |
| Unrestricted (Deficit) | (18,439,036) | (15,841,671) |
| Total Net Position | $12,759,508 | $14,546,382 |

Total assets decreased by $25,585,561. Current and other assets decreased by $28,248,370 due primarily to decreases in equity in pooled cash and cash equivalents and intergovernmental receivables. The decrease in cash and cash equivalents resulted from the refunding of two bond anticipation note issuances where cash was received at the end of 2016 but not repaid until 2017. Intergovernmental receivables decreased due to draws on the Ohio School Facilities Commission grant award. Capital assets, net increased by $2,662,809 due primarily to additions for property purchases and construction in progress, which was partially offset by depreciation expense and disposals. Deferred outflows of resources increased $2,814,207 due to an increase in actuarially determined deferrals related to the District's proportionate share of the state-wide net pension liability.

Total liabilities decreased by $20,533,419. Other liabilities decreased by $113,772 primarily due to the decrease of accrued interest payable due to the repayment of accrued interest on bond anticipation notes outstanding at the end of 2016. Long-term liabilities decreased by $20,419,647 due to the repayment of outstanding debt balances, including paying off the refunded bond anticipation notes that were still outstanding at the end of 2016. This decrease was partially offset by an increase in net pension liability estimates. Deferred inflows of resources decreased by $451,061 due to a decrease in actuarially determined deferrals related to the District's proportionate share of the state-wide net pension liability. This decrease was partially offset by an increase in deferred inflows for property taxes due to new levies enacted in fiscal year 2016 that were fully collectible in 2017.

Table 2 demonstrates the change in net position for fiscal year 2017 as compared to 2016.

Table 2
Change in Net Position
Governmental Activities

| | 2017 | 2016 |
|---|---|---|
| Revenues | | |
| Program Revenues: | | |
| Charges for Services and Sales | $2,613,840 | $2,862,733 |
| Operating Grants, Contributions, and Interest | 3,231,957 | 3,311,820 |
| Capital Grants, Contributions, and Interest | 69,591 | 0 |
| Total Program Revenues | 5,915,388 | 6,174,553 |
| General Revenues: | | |
| Taxes | 8,223,320 | 8,013,407 |
| Grants and Entitlements Not Restricted to Specific Programs | 5,956,466 | 5,701,404 |
| Grants and Entitlements Restricted to Classroom Facilities | 0 | 27,525,097 |
| Contributions and Donations | 0 | 2,250 |
| Investment Earnings | 25,312 | 202,310 |
| Gain on Sale of Capital Assets | 6,475 | 0 |
| Insurance Recoveries | 25,000 | 2,100 |
| Miscellaneous | 62,402 | 31,305 |
| Total General Revenues | 14,298,975 | 41,477,873 |
| Total Revenues | 20,214,363 | 47,652,426 |
| Expenses | | |
| Instruction | 13,080,899 | 11,056,682 |
| Support Services: | | |
| Pupils | 1,216,980 | 1,079,435 |
| Instructional Staff | 437,337 | 434,659 |
| Board of Education | 66,024 | 59,609 |
| Administration | 1,851,109 | 1,386,194 |
| Fiscal | 524,547 | 429,942 |
| Operation and Maintenance of Plant | 1,476,459 | 1,283,945 |
| Pupil Transportation | 214,026 | 248,343 |
| Central | 92,831 | 83,124 |
| Operation of Non-Instructional Services | 1,710,176 | 1,682,508 |
| Extracurricular Activities | 652,080 | 609,852 |
| Debt Service: | | |
| Interest and Fiscal Charges | 678,769 | 496,758 |
| Issuance Costs | 0 | 419,627 |
| Total Expenses | 22,001,237 | 19,270,678 |
| Change in Net Position | (1,786,874) | 28,381,748 |
| Net Position, Beginning of Year | 14,546,382 | (13,835,366) |
| Net Position, End of Year | $12,759,508 | $14,546,382 |

The District experienced a decrease of $27,438,063, 58 percent, in total revenues during 2017. The District experienced decreases in grants and entitlements restricted for classroom facilities and investment earnings. The District was awarded a grant from the Ohio School Facilities Commission during last fiscal year. In addition, the District also issued bond anticipation notes and general obligation bonds, and most of the proceeds remained unspent as of June 30, 2017. The bond anticipation notes were repaid in July 2016 which yielded a reduction in investment earnings for the fiscal year due to lower cash balances on hand. In addition, the District experienced a decrease in the fair value of some investments.

Instruction expenses increased by $2,024,217 due to increases in personnel costs and due to the rental of several modular classrooms during the construction phase. Administration support services also increased due to an increase in personnel costs. Interest and fiscal charges increased due to the first payments due on debt obligations issued in the last fiscal year. Issuance costs were also recognized last fiscal year for the various bond anticipate note and general obligation bond issuances. There were no new issues during fiscal year 2017.

**Governmental Activities**

The District received 41 percent of its revenue from property taxes, 29 percent from unrestricted grants and entitlements, 13 percent from charges for services and sales, and 16 percent from operating grants, contributions, and interest. The balance of revenue received (1 percent) is primarily in the form of capital grants, contributions, and interest, investment income, and other miscellaneous items.

Expenses for instruction represent 59 percent of the total governmental expenses. Support services represent 27 percent of the total expenses. The remaining 14 percent of expenses is distributed to noninstructional services, extracurricular activities, and interest and fiscal charges.

The statement of activities demonstrates the cost of program services and the charges for services and sales, grants and contributions offsetting those services. In Table 3 the total cost of services and the net cost of services are presented. The table identifies the cost of services supported by tax revenues and unrestricted state entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

| | Total Cost of Services 2017 | Net Cost of Services 2017 | Total Cost of Services 2016 | Net Cost of Services 2016 |
|---|---|---|---|---|
| Instruction | $13,080,899 | $9,968,240 | $11,056,682 | $7,756,804 |
| Support Services | 5,879,313 | 5,000,241 | 5,005,251 | 4,048,147 |
| Non-Instructional | 1,710,176 | (14,902) | 1,682,508 | (36,283) |
| Extracurricular Activities | 652,080 | 453,501 | 609,852 | 411,072 |
| Interest and Fiscal Charges | 678,769 | 678,769 | 496,758 | 496,758 |
| Issuance Costs | 0 | 0 | 419,627 | 419,627 |
| Total Expenses | $22,001,237 | $16,085,849 | $19,270,678 | $13,096,125 |

**The District's Funds**

Information about the District's funds begins on page 13. The funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $24,030,171 and expenditures and other financing uses of $49,577,787. The net decrease in fund balance was $25,547,616.

The general fund experienced a decrease of $1,298,818 due to expenditures in excess of revenues. The District recognized lower revenues for taxes in 2017 due to a reduction in the amount available for advance between years. This reduction in revenue was compounded by an increase in expenditures for regular instruction and administration support services due to increases in personnel costs and some incidental costs related to the construction project.

The bond retirement debt service fund experienced a decrease in fund balance of $25,055,314 due primarily to the retirement of bond anticipation notes outstanding at the end of 2016. This fund receives property taxes and intergovernmental revenues that were levied for the repayment of bonds.

The construction capital projects fund experienced an increase in fund balance of $1,488,331 due primarily to the receipt of draws from its Ohio School Facilities Commission award, some of which was not expended by year end. This fund receives intergovernmental revenue and investment earnings to fund its School Facilities project and incidental expenses.

**General Fund Budget 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. During the course of fiscal year 2017, the District revised its budget to accommodate changes in expected revenues and planned expenditures. The District's ending unencumbered cash balance was $424,064 above the final budgeted amount. The majority of the positive budget variance was attributed to cost savings in every expenditure category of the District and for tuition and fees revenues received in excess of amounts anticipated.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the 2017 fiscal year, the District had $5,919,308 in land, construction in progress, land improvements, buildings and improvements, and furniture and equipment. Table 4 demonstrates balances for 2017 as compared to 2016:

Table 4
Capital Assets
(Net of Accumulated Depreciation)
Governmental Activities

| | 2017 | 2016 |
|---|---|---|
| Land | $1,492,451 | $845,586 |
| Construction in Progress | 2,673,759 | 302,530 |
| Land Improvements | 43,792 | 47,728 |
| Buildings and Improvements | 1,273,751 | 1,384,713 |
| Furniture and Equipment | 435,555 | 675,942 |
| Total | $5,919,308 | $3,256,499 |

The increase in capital assets is primarily attributable to acquisitions of capital assets in excess of depreciation expense and disposals of capital assets. For more detailed information regarding capital assets, see note 8.

**Debt**

At June 30, 2017, the District had $26,838,071 in certificates of participation and general obligation bonds outstanding with $410,000 due within one year. Table 5 summarizes outstanding long-term debt.

Table 5
Outstanding Debt at June 30:
Governmental Activities

| | 2017 | 2016 |
|---|---|---|
| Certificates of Participation | $1,830,000 | $1,915,000 |
| General Obligation Bonds | 25,008,071 | 25,830,809 |
| Bond Anticipation Notes | 0 | 24,973,001 |
| Total | $26,838,071 | $52,718,810 |

Additional information on debt can be found in note 13.

**The Future of Reading Community City School District**

The future challenges of the Reading Community City School District involve improving student achievement, improving technology opportunities for students, and replacing the aging physical plant and facilities with a new PK-12 facility projected to open in 2019.

Over the summer, Reading High School was demolished and the site was excavated for the construction of the new school. Teams of community members, parents, students, teachers, administrators, architects, and the construction team worked on the design phase of the 215,560 square foot facility. Our team is led by the architectural firm, VSWC Architects in Mason, and Shook Touchstone is the Construction Manager at Risk.

In the area of technology, the District continues to modify and improve its one-to-one technology program. All students in grades 6-12 receive a Chromebook at the beginning of the school year. The District first used iPads for this program but found the Chromebooks provide increased academic function, allow students to access full versions of sites versus mobile sites, and the keyboard over a touch screen was preferred by students.

Efforts are on-going to improve student achievement and standardized test scores. The District is experiencing increases in the student population in areas of special education and English language learners which make those efforts more challenging. Looking ahead, the District is developing plans for an accelerated 8th grade program to permit students to earn high school credit while in middle school. Additionally, intervention programs are being modified to intervene with students sooner than in the past.

**District Contact Information**

This financial report is available to all of the citizens, taxpayers, investors, and creditors that may have an interest in the finances of the Reading Community City School District. Anyone having questions regarding this report or desiring additional information may contact Cary L. Furniss, Treasurer at Reading Community City Schools, 1301 Bonnell Avenue, Reading, Ohio 45215, by phone at 513-842-5108, or by email at cfurniss@readingschools.org.

**Reading Community City School District**
*Statement of Net Position*
*June 30, 2017*

| | Governmental Activities |
|---|---|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | $32,976,945 |
| Accrued Interest Receivable | 3,404 |
| Intergovernmental Receivable | 23,331,639 |
| Prepaid Items | 139,768 |
| Taxes Receivable | 9,388,086 |
| Nondepreciable Capital Assets | 4,166,210 |
| Depreciable Capital Assets, Net | 1,753,098 |
| Total Assets | 71,759,150 |
| Deferred Outflows of Resources | |
| Pension Plans | 6,003,696 |
| Liabilities | |
| Accounts Payable | 123,024 |
| Accrued Wages and Benefits Payable | 1,300,528 |
| Contracts Payable | 91,208 |
| Intergovernmental Payable | 243,488 |
| Accrued Interest Payable | 149,962 |
| Matured Compensated Absences Payable | 67,485 |
| Long-Term Liabilities: | |
| Due Within One Year | 453,077 |
| Due in More Than One Year | 27,444,410 |
| Net Pension Liability | 28,514,090 |
| Total Liabilities | 58,387,272 |
| Deferred Inflows of Resources | |
| Property Taxes not Levied to Finance Current Year Operations | 6,463,692 |
| Pension Plans | 152,374 |
| Total Deferred Inflows of Resources | 6,616,066 |
| Net Position | |
| Net Investment in Capital Assets | 1,590,498 |
| Restricted For: | |
| Debt Service | 1,157,992 |
| Capital Projects | 27,321,676 |
| Other Purposes | 1,128,378 |
| Unrestricted (Deficit) | (18,439,036) |
| Total Net Position | $12,759,508 |

See the accompanying notes to the basic financial statements.

**Reading Community City School District**
*Statement of Activities*
*For the Fiscal Year Ended June 30, 2017*

| | | Program Revenues | | | Net Revenues (Expenses) and Changes in Net Position |
|---|---|---|---|---|---|
| | Expenses | Charges for Services and Sales | Operating Grants, Contributions, and Interest | Capital Grants, Contributions, and Interest | Governmental Activities |
| Governmental Activities | | | | | |
| Instruction | | | | | |
| Regular | $9,082,066 | $1,047,521 | $281,089 | $53,562 | ($7,699,894) |
| Special | 3,281,379 | 346,331 | 1,279,771 | 0 | (1,655,277) |
| Vocational | 4,396 | 183 | 5,216 | 0 | 1,003 |
| Student Intervention Services | 32,368 | 2,452 | 11,804 | 0 | (18,112) |
| Other | 680,690 | 84,730 | 0 | 0 | (595,960) |
| Support Services | | | | | |
| Pupils | 1,216,980 | 136,388 | 122,573 | 0 | (958,019) |
| Instructional Staff | 437,337 | 54,394 | 2,644 | 0 | (380,299) |
| Board of Education | 66,024 | 8,218 | 0 | 0 | (57,806) |
| Administration | 1,851,109 | 230,094 | 0 | 0 | (1,621,015) |
| Fiscal | 524,547 | 62,437 | 14,630 | 0 | (447,480) |
| Operation and Maintenance of Plant | 1,476,459 | 168,669 | 0 | 16,029 | (1,291,761) |
| Pupil Transportation | 214,026 | 50,481 | 960 | 0 | (162,585) |
| Central | 92,831 | 11,555 | 0 | 0 | (81,276) |
| Operation of Noninstructional Services | 1,710,176 | 216,393 | 1,508,685 | 0 | 14,902 |
| Extracurricular Activities | 652,080 | 193,994 | 4,585 | 0 | (453,501) |
| Debt Service: | | | | | |
| Interest and Fiscal Charges | 678,769 | 0 | 0 | 0 | (678,769) |
| Total Governmental Activities | $22,001,237 | $2,613,840 | $3,231,957 | $69,591 | (16,085,849) |

| | |
|---|---|
| General Revenues | |
| Property Taxes Levied for: | |
| General Purposes | 6,411,888 |
| Debt Service | 1,694,412 |
| Classroom Facilities Maintenance | 117,020 |
| Grants and Entitlements not Restricted to Specific Programs | 5,956,466 |
| Investment Earnings | 25,312 |
| Gain on Sale of Capital Assets | 6,475 |
| Insurance Recoveries | 25,000 |
| Miscellaneous | 62,402 |
| Total General Revenues | 14,298,975 |
| Change in Net Position | (1,786,874) |
| Net Position Beginning of Year | 14,546,382 |
| Net Position End of Year | $12,759,508 |

See the accompanying notes to the basic financial statements.

**Reading Community City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2017*

| | General Fund | Bond Retirement Fund | Construction Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $4,249,043 | $870,745 | $25,343,361 | $2,513,796 | $32,976,945 |
| Accrued Interest Receivable | 3,404 | 0 | 0 | 0 | 3,404 |
| Interfund Receivable | 32,014 | 0 | 0 | 0 | 32,014 |
| Intergovernmental Receivable | 11,508 | 0 | 23,085,580 | 234,551 | 23,331,639 |
| Prepaid Items | 126,517 | 0 | 0 | 13,251 | 139,768 |
| Taxes Receivable | 7,980,883 | 1,313,139 | 0 | 94,064 | 9,388,086 |
| Total Assets | $12,403,369 | $2,183,884 | $48,428,941 | $2,855,662 | $65,871,856 |
| Liabilities | | | | | |
| Accounts Payable | $110,525 | $0 | $0 | $12,499 | $123,024 |
| Accrued Wages and Benefits Payable | 1,198,166 | 0 | 0 | 102,362 | 1,300,528 |
| Contracts Payable | 0 | 0 | 0 | 91,208 | 91,208 |
| Interfund Payable | 0 | 0 | 0 | 32,014 | 32,014 |
| Intergovernmental Payable | 223,384 | 0 | 0 | 20,104 | 243,488 |
| Matured Compensated Absences Payable | 67,485 | 0 | 0 | 0 | 67,485 |
| Total Liabilities | 1,599,560 | 0 | 0 | 258,187 | 1,857,747 |
| Deferred Inflows of Resources | | | | | |
| Property Taxes not Levied to Finance Current Year Operations | 5,520,661 | 875,930 | 0 | 67,101 | 6,463,692 |
| Unavailable Revenue: | | | | | |
| Property Taxes | 580,222 | 97,209 | 0 | 6,963 | 684,394 |
| Grants | 0 | 0 | 23,085,580 | 121,468 | 23,207,048 |
| Total Deferred Inflows of Resources | 6,100,883 | 973,139 | 23,085,580 | 195,532 | 30,355,134 |
| Fund Balances | | | | | |
| Nonspendable | 126,517 | 0 | 0 | 13,251 | 139,768 |
| Restricted | 0 | 1,210,745 | 25,343,361 | 2,404,957 | 28,959,063 |
| Committed | 20,111 | 0 | 0 | 0 | 20,111 |
| Assigned | 769,045 | 0 | 0 | 0 | 769,045 |
| Unassigned (Deficit) | 3,787,253 | 0 | 0 | (16,265) | 3,770,988 |
| Total Fund Balances | 4,702,926 | 1,210,745 | 25,343,361 | 2,401,943 | 33,658,975 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $12,403,369 | $2,183,884 | $48,428,941 | $2,855,662 | $65,871,856 |

See the accompanying notes to the basic financial statements.

**Reading Community City School District**

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

| | | |
|---|---|---|
| Total Governmental Fund Balances | | $33,658,975 |
| 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. These assets consist of: | | |
| Land | 1,492,451 | |
| Construction in progress | 2,673,759 | |
| Land improvements | 181,164 | |
| Buildings and improvements | 4,401,429 | |
| Furniture and equipment | 1,941,654 | |
| Accumulated depreciation | (4,771,149) | |
| | | 5,919,308 |
| Other long-term assets are not available to pay for the current period's expenditures and therefore are deferred in the funds. | | |
| Property taxes | 684,394 | |
| Intergovernmental | 23,207,048 | |
| | | 23,891,442 |
| The net pension liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds: | | |
| Deferred outflows-pension | 6,003,696 | |
| Deferred inflows-pension | (152,374) | |
| Net pension liability | (28,514,090) | |
| | | (22,662,768) |
| In the statement of net position, interest is accrued on outstanding bonds, whereas in governmental funds, as interest expenditure is reported when due. | | (149,962) |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | | |
| Certificates of participation | (1,830,000) | |
| General obligation bonds payable | (25,008,071) | |
| Early retirement incentive | (60,111) | |
| Compensated absences | (999,305) | |
| | | (27,897,487) |
| Net Position of Governmental Activities | | $12,759,508 |

See the accompanying notes to the basic financial statements.

**Reading Community City School District**
*Statement of Revenues, Expenditures and Changes in Fund Balances*
*Governmental Funds*
*For the Fiscal Year Ended June 30, 2017*

| | General Fund | Bond Retirement Fund | Construction Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Taxes | $6,366,492 | $1,597,203 | $0 | $110,057 | $8,073,752 |
| Intergovernmental | 6,700,264 | 42,709 | 3,830,325 | 2,455,226 | 13,028,524 |
| Interest | 43,530 | 7,285 | 163,630 | 28,879 | 243,324 |
| Decrease in Fair Value of Investments | (26,665) | 0 | (114,078) | 0 | (140,743) |
| Tuition and Fees | 2,213,601 | 0 | 0 | 0 | 2,213,601 |
| Extracurricular Activities | 17,335 | 0 | 0 | 160,734 | 178,069 |
| Contributions and Donations | 11,822 | 0 | 0 | 5,545 | 17,367 |
| Customer Sales and Services | 48,260 | 0 | 0 | 173,910 | 222,170 |
| Miscellaneous | 52,651 | 0 | 0 | 9,751 | 62,402 |
| Total Revenues | 15,427,290 | 1,647,197 | 3,879,877 | 2,944,102 | 23,898,466 |
| Expenditures | | | | | |
| Current | | | | | |
| Instruction | | | | | |
| Regular | 7,544,035 | 0 | 211,199 | 341,337 | 8,096,571 |
| Special | 2,529,673 | 0 | 0 | 498,635 | 3,028,308 |
| Vocational | 1,221 | 0 | 0 | 2,928 | 4,149 |
| Student Intervention Services | 19,700 | 0 | 0 | 12,668 | 32,368 |
| Other | 672,047 | 0 | 0 | 0 | 672,047 |
| Support Services | | | | | |
| Pupils | 1,015,021 | 0 | 0 | 121,154 | 1,136,175 |
| Instructional Staff | 413,973 | 0 | 0 | 17,838 | 431,811 |
| Board of Education | 66,024 | 0 | 0 | 0 | 66,024 |
| Administration | 1,721,729 | 0 | 0 | 0 | 1,721,729 |
| Fiscal | 455,374 | 17,916 | 0 | 17,244 | 490,534 |
| Operation and Maintenance of Plant | 1,313,673 | 0 | 6,999 | 24,645 | 1,345,317 |
| Pupil Transportation | 182,001 | 0 | 0 | 32,025 | 214,026 |
| Central | 88,627 | 0 | 0 | 0 | 88,627 |
| Operation of Noninstructional Services | 72,779 | 0 | 0 | 1,601,726 | 1,674,505 |
| Extracurricular Activities | 447,222 | 0 | 0 | 152,967 | 600,189 |
| Capital Outlay | 72,886 | 0 | 2,173,348 | 847,850 | 3,094,084 |
| Debt Service | | | | | |
| Principal | 85,000 | 25,738,001 | 0 | 0 | 25,823,001 |
| Interest and Fiscal Charges | 66,628 | 946,594 | 0 | 0 | 1,013,222 |
| Total Expenditures | 16,767,613 | 26,702,511 | 2,391,546 | 3,671,017 | 49,532,687 |
| Excess of Revenues Over (Under) Expenditures | (1,340,323) | (25,055,314) | 1,488,331 | (726,915) | (25,634,221) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 0 | 0 | 0 | 45,100 | 45,100 |
| Proceeds from Sale of Capital Assets | 61,605 | 0 | 0 | 0 | 61,605 |
| Insurance Recoveries | 25,000 | 0 | 0 | 0 | 25,000 |
| Transfers Out | (45,100) | 0 | 0 | 0 | (45,100) |
| Total Other Financing Sources (Uses) | 41,505 | 0 | 0 | 45,100 | 86,605 |
| Net Change in Fund Balances | (1,298,818) | (25,055,314) | 1,488,331 | (681,815) | (25,547,616) |
| Beginning Fund Balances, July 1 | 6,001,744 | 26,266,059 | 23,855,030 | 3,083,758 | 59,206,591 |
| Ending Fund Balances, June 30 | $4,702,926 | $1,210,745 | $25,343,361 | $2,401,943 | $33,658,975 |

See the accompanying notes to the basic financial statements.

**Reading Community City School District**

*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities*

*For the Fiscal Year Ended June 30, 2017*

| | | |
|---|---|---|
| Net Change in Fund Balances - Total Governmental Funds | | ($25,547,616) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: | | |
| Capital asset additions | 3,094,084 | |
| Depreciation expense | (295,097) | |
| | | 2,798,987 |
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. | | |
| Proceeds from sale of capital assets | (61,605) | |
| Gain on sale of capital assets | 6,475 | |
| Loss on sale of capital assets | (81,048) | |
| | | (136,178) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property tax revenue | 149,568 | |
| Intergovernmental | (3,865,146) | |
| | | (3,715,578) |
| Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows. | | 1,408,158 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | (2,841,085) |
| Governmental funds report premiums as expenditures, whereas these amounts are deferred and amortized in the statement of activities. | | |
| Amortization of bond premium | 57,738 | |
| | | 57,738 |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not result in an expense in the statement of activities. | | |
| BAN principal retirement | 24,973,001 | |
| Bond principal retirement | 765,000 | |
| Certificates of participation principal retirement | 85,000 | |
| | | 25,823,001 |
| In the statement of net position, interest accrued on outstanding bonds is amortized over the term of the bonds, whereas in the governmental funds, the expenditure is reported when the bonds are issued: | | |
| Decrease in accrued interest | 276,715 | |
| | | 276,715 |
| Some items 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. These activities consist of: | | |
| Increase in early retirement incentive | (60,111) | |
| Decrease in compensated absences | 149,095 | |
| | | 88,984 |
| Change in Net Position of Governmental Activities | | ($1,786,874) |

See the accompanying notes to the basic financial statements.

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

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| Revenues | | | | |
| Taxes | $7,380,856 | $7,526,492 | $7,526,492 | $0 |
| Intergovernmental | 6,866,135 | 6,687,649 | 6,688,756 | 1,107 |
| Interest | 30,000 | 37,000 | 42,560 | 5,560 |
| Tuition and Fees | 2,112,000 | 2,112,000 | 2,185,495 | 73,495 |
| Customer Sales and Services | 36,500 | 35,000 | 45,854 | 10,854 |
| Miscellaneous | 8,000 | 41,460 | 42,804 | 1,344 |
| Total Revenues | 16,433,491 | 16,439,601 | 16,531,961 | 92,360 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | | | | |
| Regular | 7,790,363 | 7,809,173 | 7,730,438 | 78,735 |
| Special | 2,496,613 | 2,538,096 | 2,500,615 | 37,481 |
| Vocational | 1,500 | 3,225 | 3,221 | 4 |
| Student Intervention Services | 19,714 | 19,759 | 19,700 | 59 |
| Other | 579,495 | 723,248 | 706,931 | 16,317 |
| Support Services | | | | |
| Pupils | 1,052,399 | 1,046,438 | 1,017,606 | 28,832 |
| Instructional Staff | 434,422 | 431,121 | 416,401 | 14,720 |
| Board of Education | 76,837 | 78,397 | 64,179 | 14,218 |
| Administration | 1,687,720 | 1,762,102 | 1,730,266 | 31,836 |
| Fiscal | 467,950 | 482,453 | 464,762 | 17,691 |
| Operation and Maintenance of Plant | 1,361,666 | 1,385,402 | 1,312,194 | 73,208 |
| Pupil Transportation | 222,623 | 218,314 | 191,553 | 26,761 |
| Central | 93,029 | 105,018 | 97,180 | 7,838 |
| Operation of Noninstructional Services | 27,458 | 26,453 | 24,801 | 1,652 |
| Extracurricular Activities | 434,340 | 450,995 | 431,881 | 19,114 |
| Capital Outlay | 0 | 67,500 | 67,423 | 77 |
| Debt Service | | | | |
| Principal | 85,000 | 85,000 | 85,000 | 0 |
| Interest and Fiscal Charges | 66,628 | 66,628 | 66,628 | 0 |
| Total Expenditures | 16,897,757 | 17,299,322 | 16,930,779 | 368,543 |
| Excess of Revenues Under Expenditures | (464,266) | (859,721) | (398,818) | 460,903 |
| Other Financing Sources (Uses) | | | | |
| Advances In | 0 | 0 | 12,200 | 12,200 |
| Proceeds from Sale of Capital Assets | 0 | 55,130 | 61,705 | 6,575 |
| Insurance Recoveries | 0 | 25,000 | 25,000 | 0 |
| Transfers Out | (55,000) | (55,000) | (55,000) | 0 |
| Advances Out | 0 | 0 | (55,614) | (55,614) |
| Total Other Financing Sources (Uses) | (55,000) | 25,130 | (11,709) | (36,839) |
| Net Change in Fund Balances | (519,266) | (834,591) | (410,527) | 424,064 |
| Beginning Fund Balances, July 1 | 3,730,879 | 3,730,879 | 3,730,879 | 0 |
| Prior Year Encumbrances Appropriated | 474,895 | 474,895 | 474,895 | 0 |
| Ending Fund Balances, June 30 | $3,686,508 | $3,371,183 | $3,795,247 | $424,064 |

See the accompanying notes to the basic financial statements.

**Reading Community City School District**

*Statement of Fiduciary Net Position*

*Fiduciary Funds*

*June 30, 2017*

| | Private Purpose Trust | Agency |
|---|---|---|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | $97,771 | $67,615 |
| Liabilities | | |
| Due to Students | | $67,615 |
| Total Liabilities | | $67,615 |
| Net Position | | |
| Held in Trust for Scholarships | $97,771 | |

See the accompanying notes to the basic financial statements.

**Reading Community City School District**
*Statement of Changes in Fiduciary Net Position*
*Fiduciary Funds*
*For the Fiscal Year Ended June 30, 2017*

| | Private Purpose Trust |
|---|---|
| Additions | |
| Contributions and Donations | $1,000 |
| Interest | 649 |
| Miscellaneous | 100 |
| Total Additions | 1,749 |
| Deductions | |
| Payments in Accordance With Trust Agreements | 4,125 |
| Total Deductions | 4,125 |
| Change in Net Position | (2,376) |
| Net Position Beginning of Year | 100,147 |
| Net Position End of Year | $97,771 |

See the accompanying notes to the basic financial statements.

## Note 1 – Description of the District and Reporting Entity

Reading Community City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the District. The Board controls the District's three instructional support facilities staffed by 115 certified, 21 noncertified, and 8 administrative employees providing education to approximately 1,633 students.

The District was established in 1863 and was later organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms. The District serves 3.14 square miles including all of the City of Reading, a small area of the City of Evendale, and a portion of Sycamore Township. The City of Reading was incorporated as a village in 1851. It is located in southwest Ohio, in the north-central portion of Hamilton County.

### Financial Reporting Entity

The reporting entity is composed of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Reading Community City School District, this includes general operations, food service, preschool, and student related activities of the District.

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

The District is associated with three organizations, two of which are defined as jointly governed organizations and the other as an insurance purchasing pool. These organizations are the Great Oaks Institute of Technology and Career Development, the Hamilton/Clermont Cooperative Association, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in notes 9 and 14 to the basic financial statements.

## 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 more significant of the District's accounting policies are described below.

### Basis of Presentation

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

*Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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*

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

Fund Accounting

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes two categories of funds: governmental and fiduciary.

*Governmental Funds*

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

> *General Fund* – The general fund is the general operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.
>
> *Bond Retirement Fund* – The bond retirement debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.
>
> *Construction Fund* – The construction capital projects fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

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

*Fiduciary Funds*

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

Measurement Focus

*Government-wide Financial Statements*

The government-wide statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

*Fund Financial Statements*

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows, and in the presentation of expenses versus expenditures.

*Revenues – Exchange and Nonexchange 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.

Nonexchange 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. (See note 6.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are deemed both measurable and available at fiscal year end: investment earnings, grants, and property taxes available for advance.

*Deferred Inflows/Outflows of Resources*

In addition to assets, the statement of net position and balance sheet sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension and is further explained in note 10.

In addition to liabilities, the statement of net position and balance sheet sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position/fund balance that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources included property taxes, pension, and unavailable revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental funds balance sheet. Unavailable revenue is reported only on the governmental funds balance sheet and represents grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2017. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and is further explained in note 10.

*Expenses/Expenditures*

On the accrual basis of accounting, expenses are recognized at the time they are incurred. 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 the governmental funds.

Cash and Cash Equivalents

Cash received by the District is pooled for investment purposes with individual fund cash balance integrity maintained through the District's financial records. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2017, investments were limited to certificates of deposit, STAR Ohio, US government agency securities, and money market funds. Investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2017.

Under existing Ohio statutes, all investment earnings are allocated to the general fund except those specifically related to auxiliary services fund, agency funds, certain trust funds, and those funds individually authorized by Board resolution. Interest revenue credited to the general fund, bond retirement fund, and construction fund, during fiscal year 2017 amounted to $43,530, $7,285, and $163,630, respectively. Interest revenue was also recorded in other governmental funds as follows: capital projects fund, locally funded initiative fund, food service fund, classroom facilities maintenance fund, and auxiliary services fund in the amounts of $13,541, $6,498, $5,738, $1,162, and $1,940, respectively. The private purpose trust fund was also credited interest in the amount of $649. In addition, the general fund and construction fund also recognized decreases in fair market value of investments amounting to $26,665 and $114,078, respectively.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the 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 are 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* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Committed* – This fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District's Board of Education. Those committed amounts cannot be used for any other purpose unless the District's 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 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 would represent intended uses established by the District's 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 the other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

All capital assets of the District are general capital assets, which generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the 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 District maintains a capitalization threshold of two thousand, five hundred dollars ($2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except 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:

| | |
|---|---|
| Land Improvements | 20 years |
| Buildings | 50 years |
| Building Improvements | 20-30 years |
| Furniture and Equipment | 5-20 years |

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators after 15 years of current service with the District.

The entire compensated absence liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, early retirement incentives, compensated absences, and net pension liability that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment in the current year.

Bonds, certificates of participation, and bond anticipation notes that will be paid from governmental funds are recognized as liabilities in the fund financial statements when due.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its 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. Net position restricted for other purposes includes activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

None of the restricted net position reported by the District on the government-wide statement of net position is restricted by enabling legislation.

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 the 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 could differ from those estimates.

Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Transfers within the governmental activities are eliminated on the government-wide financial statements.

Parochial Schools

Within the District's boundaries, St. Nicholas Academy and Mount Notre Dame High School are operated through the Cincinnati Archdiocese. St. Peter and Paul Elementary is a chartered nonpublic elementary. Current state and federal legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The receipt and expenditure of these state monies is reflected in a special revenue fund for financial reporting purposes.

Basis of Budgeting

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budget 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate in effect at the time the final appropriations were passed by the Board of Education.

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

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the government-wide statement of net position.

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 positon 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.

## Note 3 – Fund Deficits

At June 30, 2017, the following funds had fund deficits:

| | |
|---|---|
| Title I Fund | $7,257 |
| Improving Teacher Quality Fund | 2,642 |

The fund deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

## Note 4 – Basis of Budgeting

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 basis of budgeting as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures and changes in fund balances – budget (non-GAAP basis) and actual for the general fund is presented on the basis of budgeting to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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) but have no effect on fund balance for GAAP.
4. Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies, rotary, and public school support funds.

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

| Change in Fund Balance | |
|---|---|
| GAAP basis | ($1,298,818) |
| Net adjustment for revenue accruals | 1,181,187 |
| Net adjustment for expenditure accruals | 123,898 |
| Adjustment for encumbrances | (410,303) |
| (Excess) deficit of funds combined with general fund for reporting purposes | (6,491) |
| Budget basis | ($410,527) |

## Note 5 – Deposits and Investments

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

Active deposits are those monies required to be kept in a “cash” or “near-cash” status for immediate use by the District. Such monies must be maintained either as cash in the District Treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be invested or deposited in the following securities provided they mature or are redeemable within one year from the date of purchase:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of 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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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 with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: Custodial credit risk is the risk that is the event of a bank failure, the District's deposits may not be returned to it. The District does not have a custodial credit risk policy. However, protection of the District's deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the financial institution holding the deposits. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. At year-end, the District's bank balance was $1,300,948, which was covered by the Federal Deposit Insurance Corporation or by the financial institutions' public entity deposit pools in the manner described above.

Investments: The District's investments are summarized as follows:

| Description | Fair Value | Maturity < 1 Year | 1 to 2 Years | 3 to 5 Years |
|---|---|---|---|---|
| Federated Government Obligations Money Market Fund | $536,530 | $536,530 | $0 | $0 |
| STAR Ohio | 6,770,747 | 6,770,747 | 0 | 0 |
| Federal Home Loan Bank | 6,284,794 | 2,370,858 | 3,913,936 | 0 |
| Federal Home Loan Mortgage Corporation | 4,663,856 | 2,493,791 | 2,170,065 | 0 |
| Federal Farm Credit Bank | 8,944,710 | 5,308,580 | 1,852,078 | 1,784,052 |
| Federal National Mortgage Association | 2,345,408 | 0 | 1,789,964 | 555,444 |
| Negotiable Certificates of Deposit | 2,369,206 | 749,703 | 614,236 | 1,005,267 |
| Total | $31,915,251 | $18,230,209 | $10,340,279 | $3,344,763 |

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. All other investments of the District are valued using quoted market prices (Level 1 inputs).

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. Investments in the money market fund and STAR Ohio were rated AAAm by Standard & Poor's. Investments in the United States government agencies were rated AA+ by Standard & Poor's. Negotiable certificates of deposit were not rated.

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

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

Concentration of Credit Risk – This is the risk that can be attributed to the magnitude of a government's investment in a single issuer. The District's investment policy allows investments in eligible securities as described in the Ohio Revised Code. As of June 30, 2017, 21 percent of the District's investments was in STAR Ohio, 20 percent was in Federal Home Loan Bank securities, 15 percent was in Federal Home Loan Mortgage Corporation securities, 28 percent was in Federal Farm Credit Bank securities, 7 percent was in Federal National Mortgage Association securities, and 7 percent was in negotiable certificates of deposit.

## Note 6 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District fiscal year is from July through June. The District in the second half of the fiscal year receives first half tax collections. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property taxes received in calendar year 2017 represent the collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016 on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half property tax payments collected by the County by June 30, 2017 are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources. The amount available as an advance at June 30, 2017 was $1,880,000 in the general fund, $340,000 in the bond retirement fund, and $20,000 in the classroom facilities maintenance nonmajor special revenue fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

| | 2016 Second-Half Collections | | 2017 First-Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | $170,237,840 | 94.64% | $169,527,740 | 94.48% |
| Public Utility Personal Property | 9,634,240 | 5.36% | 9,908,760 | 5.52% |
| Total Assessed Value | $179,872,080 | 100.00% | $179,436,500 | 100.00% |
| Tax rate per $1,000 of assessed valuation | | $78.15 | | $78.15 |

**Note 7 - Receivables**

Receivables at June 30, 2017 consisted of taxes, interest, interfund loans, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

The principal items of receivables follows:

| | Taxes | Intergovernmental | Interest |
|---|---|---|---|
| General Fund | $7,980,883 | $11,508 | $3,404 |
| Bond Retirement Fund | 1,313,139 | 0 | 0 |
| Construction Fund | 0 | 23,085,580 | 0 |
| Other Governmental Funds | 94,064 | 234,551 | 0 |
| Total | $9,388,086 | $23,331,639 | $3,404 |

**Note 8 – Capital Assets**

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

| | Balance June 30, 2016 | Additions | Deletions | Balance June 30, 2017 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | $845,586 | $646,865 | $0 | $1,492,451 |
| Construction in Progress | 302,530 | 2,371,229 | 0 | 2,673,759 |
| Total Capital Assets, Not Being Depreciated | 1,148,116 | 3,018,094 | 0 | 4,166,210 |
| Capital Assets, Being Depreciated | | | | |
| Land Improvements | 181,164 | 0 | 0 | 181,164 |
| Buildings and Improvements | 4,401,429 | 0 | 0 | 4,401,429 |
| Furniture and Equipment | 2,676,573 | 75,990 | (810,909) | 1,941,654 |
| Total Capital Assets, Being Depreciated | 7,259,166 | 75,990 | (810,909) | 6,524,247 |
| Less Accumulated Depreciated | | | | |
| Land Improvements | (133,436) | (3,936) | 0 | (137,372) |
| Buildings and Improvements | (3,016,716) | (110,962) | 0 | (3,127,678) |
| Furniture and Equipment | (2,000,631) | (180,199) | 674,731 | (1,506,099) |
| Total Accumulated Depreciation | (5,150,783) | (295,097) | 674,731 | (4,771,149) |
| Total Capital Assets, Being Depreciated, Net | 2,108,383 | (219,107) | (136,178) | 1,753,098 |
| Governmental Activities Capital Assets, Net | $3,256,499 | $2,798,987 | ($136,178) | $5,919,308 |

Depreciation expense was charged as follows:

| | |
|---|---|
| Instruction: | |
| Regular | $129,762 |
| Special | 431 |
| Support Services: | |
| Pupils | 127 |
| Instructional Staff | 1,307 |
| Administration | 2,608 |
| Fiscal | 697 |
| Operation and Maintenance of Plant | 119,905 |
| Operation of Non-Instructional Services | 31,983 |
| Extracurricular Activities | 8,277 |
| Total | $295,097 |

## Note 9 – Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District contracted with Liberty Mutual for general liability insurance with a $7,000,000 aggregate limit covering all employees and volunteers of the District.

Liberty Mutual also provides property and fleet insurance; property holds a $2,500 deductible.

The Ohio School Plan maintains a $20,000 performance bond for the Board President and superintendent and a $50,000 public official bond for the Treasurer. Liberty Mutual also maintains a $50,000 employee dishonesty blanket bond for all employees.

Settlements have not exceeded insurance coverage in any of the last three fiscal years. There was no significant decrease in coverage from the prior year.

Worker's Compensation

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

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

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District 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 *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District nonteaching 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 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District 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 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contributions to SERS were $252,000 for fiscal year 2017. Of this amount, $0 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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 was 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 on 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 service. 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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, July 1, 2015, and July 1, 2016 when it reached 14 percent. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District 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 District's contractually required contributions to STRS were $1,157,159 for fiscal year 2017. Of this amount, $189,468 is reported as an intergovernmental payable.

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 District's proportion of the net pension liability was based on the District's 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 | $4,124,871 | $24,389,219 | $28,514,090 |
| Proportion of the Net Pension Liability | 0.0563578% | 0.07286230% | |
| Pension Expense | $515,087 | $2,325,998 | $2,841,085 |

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

| | SERS | STRS | Total |
|---|---|---|---|
| *Deferred Outflows of Resources* | | | |
| Differences between expected and actual experience | $55,635 | $985,442 | $1,041,077 |
| Changes of assumptions | 275,358 | 0 | 275,358 |
| Net difference between projected and actual earnings on pension plan investments | 340,240 | 2,024,960 | 2,365,200 |
| Changes in proportion and differences | 88,141 | 825,762 | 913,903 |
| District contributions subsequent to the measurement date | 252,000 | 1,156,158 | 1,408,158 |
| Total Deferred Outflows of Resources | $1,011,374 | $4,992,322 | $6,003,696 |
| *Deferred Inflows of Resources* | | | |
| Changes in proportion and differences | $73,581 | $78,793 | $152,374 |
| Total Deferred Inflows of Resources | $73,581 | $78,793 | $152,374 |

$1,408,158 reported as deferred outflows of resources related to pension resulting from District 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:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2018 | $166,906 | $702,780 | $869,686 |
| 2019 | 167,410 | 702,781 | 870,191 |
| 2020 | 251,811 | 1,490,299 | 1,742,110 |
| 2021 | 99,666 | 861,511 | 961,177 |
| Total | $685,793 | $3,757,371 | $4,443,164 |

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 percent |
| Future Salary Increases, including inflation | 3.5 percent to 18.2 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.5 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 RP-2014 Blue Collar Mortality Table with fully generational projection and a five year set back for both men and women. Special mortality tables are used for the period after disability retirement.

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

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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

*Discount Rate* The total pension liability was calculated using the discount rate of 7.5 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 earnings were calculated using the long-term assumed investment rate of return (7.5 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $5,461,072 | $4,124,871 | $3,006,415 |

Actuarial Assumptions - STRS

The total pension liability in the June 30, 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 |
| 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 no 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:

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

*Discount Rate* The discount rate used to measure the total pension liability was 7.75 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 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%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $32,411,289 | $24,389,219 | $17,622,128 |

*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 District's net pension liability is expected to be significant.

**Note 11 – Postemployment Benefits**

School Employees Retirement System

*Post-Employment Benefits*

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a post-employment benefit plan.

*Health Care Plan*

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

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board may allocate the remainder of the employer 14 percent contribution to the Health Care Fund in accordance with the funding policy. For the years ended June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent and 0.82 percent, respectively. 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent 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 percent employer contribution rate is the total amount assigned to the Health Care Fund. District contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were $31,432, $29,105, and $45,968, respectively; 100 percent has been contributed for fiscal years 2017, 2016, and 2015.

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 upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial report of SERS' Health Care plan is 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*

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan, a self-directed defined contribution plan, and a combined plan that is a hybrid of the defined benefit plan and the defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. Nearly all health care enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent comprehensive annual financial report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

*Funding Policy*

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016, and 2015. The 14 percent contribution rate is the maximum rate established under Ohio law.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0.

## Note 12 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements, Board resolutions, and State laws. Eligible classified employees and administrators earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 sick days of leave for each year under contract. During regular employment, sick leave may be accumulated, up to a maximum of 300 days for teachers, 300 days for administrators, and 240 days for classified employees. Upon retirement, severance pay is based upon one-fourth of the accrual of sick days up to a maximum of 80 days for teachers, 75 days for administrators, and 60 days for classified employees.

Retirement Incentive

The District has a retirement incentive program. Participation is open to any member of the bargaining unit who retires through STRS during the term of the negotiated agreement contract under the following conditions:

- Retirement eligibility shall occur for one (1) year periods during the term of the negotiated agreement contract beginning September 1 and ending August 31 of each year of the contract.
- The member, in order to be eligible for the increase in severance retirement incentive at the fifty percent (50%) or the sixty percent (60%), must meet the qualifications as listed below:

50% of Accumulated Sick Leave

| Unreduced Benefit for Retirement Between: | Minimum Age and Years of Service: |
|---|---|
| 8/1/15-7/1/17 | Any age and 31 years or age 65 and 5 years |
| 8/1/17-7/1/19 | Any age and 32 years or age 65 and 5 years |
| 8/1/19-7/1/21 | Any age and 33 years or age 65 and 5 years |
| 8/1/21-7/1/23 | Any age and 34 years or age 65 and 5 years |

60% of Accumulated Sick Leave

| Actuarially Reduced Benefit* for Retirement Between: | Minimum Age and Years of Service: |
|---|---|
| 8/1/15-7/1/17 | Any age and 30 years or age 55 and 26 years or age 60 and 5 years |
| 8/1/17-7/1/19 | Any age and 30 years or age 55 and 27 years or age 60 and 5 years |
| 8/1/19-7/1/21 | Any age and 30 years or age 55 and 28 years or age 60 and 5 years |
| 8/1/21-7/1/23 | Any age and 30 years or age 55 and 29 years or age 60 and 5 years |
| 8/1/23 | Any age and 30 years or age 60 and 5 years |

*An actuarially reduced benefit reflects a reduction for each year that a member retires before meeting eligibility for an unreduced benefit.

- The member must retire effective at the completion of the school year in which the employee first obtains eligibility based on the table above. The member must give the Board of Education written notice of his/her intention to retire before April 1 of the year in which the member first becomes eligible for the retirement incentive based on years of service and age as listed above. Failure to exercise this right shall result in that member's forfeiture of his/her right to the retirement incentive.
- Severance shall be at sixty percent (60%) or fifty percent (50%) of a maximum of three hundred (300) sick days paid out at one-third (1/3) of the amount on September 1 of the year of retirement, one-third (1/3) at January 1 of the following year, and one-third (1/3) at January 1 of the next year.
- Said retirement incentive payment shall be paid to the member on the last scheduled pay date in January of the next calendar year following retirement.

Insurance Benefits

The District provides medical, dental, and life insurance and accidental death and dismemberment insurance to most employees through the Greater Cincinnati Insurance Consortium. Employees generally must work in excess of 25 hours per week to be eligible for insurance benefits.

## Note 13 – Long-Term Obligations

Long-term obligations activity of the District for the fiscal year ended June 30, 2017 was as follows:

| | Principal Outstanding June 30, 2016 | Additions | Deductions | Principal Outstanding June 30, 2017 | Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| Certificates of Participation | $1,915,000 | $0 | $85,000 | $1,830,000 | $90,000 |
| | | | | | |
| General Obligation Bonds: | | | | | |
| Series A Serial | 6,085,000 | 0 | 695,000 | 5,390,000 | 255,000 |
| Series A Term | 8,885,000 | 0 | 0 | 8,885,000 | 0 |
| Series A Premium | 1,060,955 | 0 | 31,205 | 1,029,750 | 0 |
| Series B Serial | 5,595,000 | 0 | 70,000 | 5,525,000 | 65,000 |
| Series B Term | 3,515,000 | 0 | 0 | 3,515,000 | 0 |
| Series B Premium | 689,854 | 0 | 26,533 | 663,321 | 0 |
| Total General Obligation Bonds | 25,830,809 | 0 | 822,738 | 25,008,071 | 320,000 |
| | | | | | |
| Bond Anticipation Notes: | | | | | |
| 2015 BAN | 9,800,000 | 0 | 9,800,000 | 0 | 0 |
| 2015 BAN Premium | 84,966 | 0 | 84,966 | 0 | 0 |
| 2016 BAN | 14,972,300 | 0 | 14,972,300 | 0 | 0 |
| 2016 BAN Premium | 115,735 | 0 | 115,735 | 0 | 0 |
| | 24,973,001 | 0 | 24,973,001 | 0 | 0 |
| | | | | | |
| Compensated Absences | 1,148,400 | 0 | 149,095 | 999,305 | 23,040 |
| Early Retirement Incentive | 0 | 60,111 | 0 | 60,111 | 20,037 |
| Net Pension Liability | 22,964,014 | 5,550,076 | 0 | 28,514,090 | 0 |
| Total Governmental Activities Long-Term Liabilities | $76,831,224 | $5,610,187 | $26,029,834 | $56,411,577 | $453,077 |

Certificates of Participation – In fiscal year 2013, the District authorized certificates of participation financing for the acquisition, construction, equipping, improving, installation, and renovation of school facilities, including roof repair and/or replacement. The District is required to make annual payments with interest rates ranging from 2 percent to 4.125 percent. The final payment is due on December 1, 2032. Payments will be made from the District's general fund.

Bond Anticipation Notes – In fiscal year 2016, the District issued two series of bond anticipation notes. Bond anticipation notes, series 2015, dated December 29, 2015, and series 2016, dated January 21, 2016, were issued to pay the local share of school construction and required locally funded initiatives under the State of Ohio Classroom Facilities Assistance Program, including new construction, improvements, renovations, and other additions to school facilities, as well as equipment, furnishings, site improvements, and all necessary appurtenances therefor, land acquisition, and capital interest. These notes were issued at an interest rate of 2 percent. They were retired on July 7, 2016.

General Obligation Bonds – In fiscal year 2016, the District issued two series of general obligation notes for the purpose of repaying series 2015 and series 2016 bond anticipation notes. The series A bonds, consisting of serial and terms bonds, were issued for $14,970,000 with a premium of $1,060,955, interest rates varying from 2 to 4 percent, and a final maturity date of November 1, 2049. The series B bonds, consisting of serial and terms bonds, were issued for $9,110,000 with a premium of $689,854, interest rates varying from 1 to 4 percent, and a final maturity date of November 1, 2041.

The series A term bonds due November 1, 2046 and 2049 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 in the years and in the respective principal amounts as follows:

| Year November 1: | 2046 | 2049 |
|---|---|---|
| 2037 | $50,000 | $0 |
| 2038 | 50,000 | 0 |
| 2039 | 50,000 | 0 |
| 2040 | 50,000 | 0 |
| 2041 | 50,000 | 0 |
| 2042 | 910,000 | 0 |
| 2043 | 955,000 | 0 |
| 2044 | 1,005,000 | 0 |
| 2045 | 1,055,000 | 0 |
| 2046 | 1,105,000 | 0 |
| 2047 | 0 | 1,160,000 |
| 2048 | 0 | 1,200,000 |
| 2049 | 0 | 1,245,000 |
| Total | $5,280,000 | $3,605,000 |

The series B term bonds due November 1, 2025, 2027, 2037, and 2041 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 in the years and in the respective principal amounts as follows:

| Year November 1: | 2025 | 2027 | 2037 | 2049 |
|---|---|---|---|---|
| 2023 | $65,000 | $0 | $0 | $0 |
| 2024 | 70,000 | 0 | 0 | 0 |
| 2025 | 255,000 | 0 | 0 | 0 |
| 2026 | 0 | 70,000 | 0 | 0 |
| 2027 | 0 | 530,000 | 0 | 0 |
| 2034 | 0 | 0 | 60,000 | 0 |
| 2035 | 0 | 0 | 65,000 | 0 |
| 2036 | 0 | 0 | 65,000 | 0 |
| 2037 | 0 | 0 | 710,000 | 0 |
| 2040 | 0 | 0 | 0 | 800,000 |
| 2041 | 0 | 0 | 0 | 825,000 |
| Total | $390,000 | $600,000 | $900,000 | $1,625,000 |

Future principal and interest requirements for the certificates of participation are as follows:

| Fiscal Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $90,000 | $64,765 | $154,765 |
| 2019 | 90,000 | 62,403 | 152,403 |
| 2020 | 95,000 | 59,628 | 154,628 |
| 2021 | 95,000 | 56,778 | 151,778 |
| 2022 | 100,000 | 53,653 | 153,653 |
| 2023-2027 | 555,000 | 213,441 | 768,441 |
| 2028-2032 | 655,000 | 100,241 | 755,241 |
| 2033 | 150,000 | 3,094 | 153,094 |
| Total | $1,830,000 | $614,003 | $2,444,003 |

Future principal and interest requirements for the certificates of participation are as follows:

| | Series A | | | Series B | | |
|---|---|---|---|---|---|---|
| Fiscal Year Ending June 30: | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | $255,000 | $570,363 | $825,363 | $65,000 | $314,563 | $379,563 |
| 2019 | 290,000 | 563,463 | 853,463 | 65,000 | 313,750 | 378,750 |
| 2020 | 305,000 | 554,538 | 859,538 | 65,000 | 312,775 | 377,775 |
| 2021 | 315,000 | 545,238 | 860,238 | 65,000 | 311,638 | 376,638 |
| 2022 | 365,000 | 533,213 | 898,213 | 65,000 | 310,338 | 375,338 |
| 2023-2027 | 1,875,000 | 2,441,265 | 4,316,265 | 525,000 | 1,517,640 | 2,042,640 |
| 2028-2032 | 25,000 | 2,252,065 | 2,277,065 | 2,855,000 | 1,215,165 | 4,070,165 |
| 2033-2037 | 1,960,000 | 2,160,996 | 4,120,996 | 1,485,000 | 738,790 | 2,223,790 |
| 2038-2042 | 250,000 | 1,919,625 | 2,169,625 | 3,850,000 | 316,935 | 4,166,935 |
| 2043-2047 | 5,030,000 | 1,284,125 | 6,314,125 | 0 | 0 | 0 |
| 2048-2050 | 3,605,000 | 192,227 | 3,797,227 | 0 | 0 | 0 |
| Total | $14,275,000 | $13,017,118 | $27,292,118 | $9,040,000 | $5,351,594 | $14,391,594 |

The District's overall legal debt margin was ($6,007,723) with an unvoted debt margin of $179,437 at June 30, 2017.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9 percent limit to finance additional facilities, the State Department of Education may declare that district a "special needs" district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation. The District was determined to be a "special needs" district by the State Superintendent.

Compensated absences will be paid from the general fund. The District pays obligations related to employee compensation from the fund benefitting from their service.

## Note 14 – Jointly Governed Organizations

Hamilton/Clermont Cooperative Association

The District is a participant in a consortium of school districts that operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is a jointly governed organization among a two county consortium of school districts. The jointly governed 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 H/CCA based upon a per pupil charge dependent upon the software package utilized. The Governing Board of H/CCA consists of one representative from each of the participating members. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, OH 45231.

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development, 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 thirty-six participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to The Great Oaks Institute of Technology and Career Development, Mr. Robert Giuffre, Treasurer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

## Note 15 – Set-Aside Calculations

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

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

| | Capital Acquisition |
|---|---|
| Set-Aside Balance as of June 30, 2016 | $0 |
| Current Year Set-Aside Requirements | 298,670 |
| Qualifying Disbursements | (751,930) |
| Totals | ($453,260) |
| Set-Aside Balance Carried Forward to Future Years | $0 |
| Set-Aside Balance as of June 30, 2017 | $0 |

The District had qualifying offsets during the fiscal year that reduced the capital acquisition set-aside amount below zero. The capital acquisition negative amount is not permitted to be carried forward to the next fiscal year.

## Note 16 - Contingencies

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

State Foundation Funding

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

Litigation

The District is currently party to legal proceedings. However, management is of the opinion that the ultimate results of these proceedings will not have a material adverse impact on the District's financial position.

**Note 17 – Interfund Activity**

Interfund Transfers

Transfers made during the year ended June 30, 2017 were as follows:

| Fund | Transfers To | Transfers From |
|---|---|---|
| *Major Fund* | | |
| General Fund | $0 | $45,100 |
| *Nonmajor Fund* | | |
| District Managed Activities Fund | 45,100 | 0 |
| Total | $45,100 | $45,100 |

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Interfund Receivables/Payables

As of June 30, 2017, receivables and payables that resulted from various interfund transactions were as follows:

| Fund | Interfund Receivable | Interfund Payable |
|---|---|---|
| *Major Fund* | | |
| General Fund | $32,014 | $0 |
| *Nonmajor Funds* | | |
| Auxiliary Services Fund | 0 | 23,914 |
| Title I Fund | 0 | 8,100 |
| Total | $32,014 | $32,014 |

The amounts due to the general fund from nonmajor governmental funds are the result of the District moving unrestricted balances to support programs and projects accounted for in other funds. The general fund will be reimbursed when funds become available in other governmental funds, which is expected to be received within one year.

**Note 18 – Claims Servicing Pool**

The District participates as a member of the Greater Cincinnati Insurance Consortium (the Consortium), a shared risk pool, comprised of fourteen Hamilton County school districts and the Hamilton County Educational Service Center. Decisions concerning the operation of the Consortium are made by a Board of Directors consisting of one (1) representative selected from each participating district and the educational service center. Each member pays an administrative fee to the pool. The Consortium converted from a fully-insured Consortium through an independent third party insurance company to a self-funded insurance Consortium with stop loss coverage effective July 1, 2007. Anthem Blue Cross Blue Shield provides claims review and processing.

## Note 19 – Fund Balances

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

| | General | Bond Retirement | Construction | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| *Nonspendable* | | | | | |
| Prepaid Items | $126,517 | $0 | $0 | $13,251 | $139,768 |
| *Restricted* | | | | | |
| Capital Outlay | `0 | `0 | 25,343,361 | 1,401,996 | 26,745,357 |
| Classroom Facilities Maintenance | 0 | 0 | 0 | 174,905 | 174,905 |
| Food Service | 0 | 0 | 0 | 625,130 | 625,130 |
| Debt Service | 0 | 1,210,745 | 0 | 0 | 1,210,745 |
| Other Purposes | 0 | 0 | 0 | 63,441 | 63,441 |
| Nonpublic Schools | 0 | 0 | 0 | 35,277 | 35,277 |
| Extracurricular Activities | 0 | 0 | 0 | 104,208 | 104,208 |
| Total Restricted | 0 | 1,210,745 | 25,343,361 | 2,404,957 | 28,959,063 |
| *Committed* | | | | | |
| Other Purposes | 20,111 | 0 | 0 | 0 | 20,111 |
| *Assigned* | | | | | |
| Other Purposes | 311,574 | 0 | 0 | 0 | 311,574 |
| FY18 Appropriations in Excess of Estimated Receipts | 422,999 | | | | 422,999 |
| Student and Staff Support | 34,472 | 0 | 0 | 0 | 34,472 |
| Total Assigned | 769,045 | 0 | 0 | 0 | 769,045 |
| *Unassigned (Deficit)* | 3,787,253 | 0 | 0 | (16,265) | 3,770,988 |
| Total Fund Balances | $4,702,926 | $1,210,745 | $25,343,361 | $2,401,943 | $33,658,975 |

## Note 20 – Significant Contractual Commitments

At June 30, 2017, the District had the following significant contractual commitments outstanding.

| Contract | Contract Amount | Amount Paid | Amount Remaining |
|---|---|---|---|
| Architect/Engineer-OSFC Project-VSWC Architect, Inc. | $3,629,843 | $2,040,690 | $1,589,153 |
| Construction Manager-OSFC Project-ShookTouchstone IV, LLC | 40,085,506 | 337,866 | 39,747,640 |
| Commissioning Agent-OSFC Project-Four Season Environmental | 135,803 | 28,519 | 107,284 |
| Auxiliary Parking Lot Project-Brown Construction & Paving | 238,579 | 111,577 | 127,002 |

## Note 21 – Encumbrance Commitments

At June 30, 2017, the District had encumbrance commitments in the governmental funds as follows:

| | |
|---|---|
| *Major Funds* | |
| General | $425,713 |
| Construction | 41,383,557 |
| | |
| *Nonmajor Funds* | |
| Capital Projects | 186,921 |
| Locally Funded Initiative | 177,934 |
| Food Service | 140,797 |
| Local Grants | 10 |
| Athletics | 27,424 |
| Auxiliary Services | 65,058 |
| OneNet | 7,200 |
| Career Education | 833 |
| Title I | 7,900 |
| | |
| Total Encumbrances | $42,423,347 |

## Note 22 – Implementation of New Accounting Pronouncements

For the fiscal year ended June 30, 2017, the District was required to implement Governmental Accounting Standards Board Statements No. 74, "Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans," No. 77, "Tax Abatement Disclosures," No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," No. 80, "Blending Requirements for Certain Component Units," and No. 82, "Pension Issues."

GASB Statement No. 74 replaces GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

GASB Statement No. 77 requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues.

GASB Statement No. 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 80 clarifies the display requirements in GASB Statement No. 14, "The Financial Reporting Entity," by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

GASB Statement No. 82 addresses, among other things, presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73.

None of these Statements had an impact on the District's financial statements or note disclosures.

**Reading Community City School District**
*Required Supplementary Information*
*Schedule of the District's Proportionate Share of the Net Pension Liability*
*Last Four Fiscal Years*

| | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| *State Teachers Retirement System* | | | | |
| District's proportion of the net pension liability | 0.06838902% | 0.06838902% | 0.07184919% | 0.07286230% |
| District's proportionate share of the net pension liability | $19,814,998 | $16,634,576 | $19,857,015 | $24,389,219 |
| District's covered-employee payroll | $7,490,754 | $7,149,585 | $7,496,121 | $8,062,129 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 264.5% | 232.7% | 264.9% | 302.5% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.3% | 74.7% | 72.1% | 66.8% |
| *School Employees Retirement System* | | | | |
| District's proportion of the net pension liability | 0.05507100% | 0.05507100% | 0.05445050% | 0.05635780% |
| District's proportionate share of the net pension liability | $3,274,896 | $2,787,112 | $3,106,999 | $4,124,871 |
| District's covered-employee payroll | $1,539,675 | $1,567,958 | $1,741,229 | $1,580,057 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 212.7% | 177.8% | 178.4% | 261.1% |
| Plan fiduciary net position as a percentage of the total pension liability | 65.5% | 71.7% | 69.2% | 63.0% |

The amounts presented are as of the District's measurement date, which is the prior fiscal year.
Information not available prior to 2014.

**Reading Community City School District**
*Required Supplementary Information*
*Schedule of District Contributions*
*Last Ten Fiscal Years*

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| *State Teachers Retirement System* | | | | | | | | | | |
| Contractually required contribution | $1,007,705 | $1,029,043 | $1,009,667 | $983,538 | $959,264 | $973,798 | $929,446 | $1,049,457 | $1,128,698 | $1,156,158 |
| Contributions in relation to the contractually required contribution | 1,007,705 | 1,029,043 | 1,009,667 | 983,538 | 959,264 | 973,798 | 929,446 | 1,049,457 | 1,128,698 | 1,156,158 |
| Contribution deficiency (excess) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| District's covered-employee payroll | $7,751,577 | $7,915,715 | $7,766,669 | $7,565,677 | $7,378,954 | $7,490,754 | $7,149,585 | $7,496,121 | $8,062,129 | $8,258,271 |
| Contributions as a percentage of covered-employee payroll | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 14.00% | 14.00% | 14.00% |
| *School Employees Retirement System* | | | | | | | | | | |
| Contractually required contribution | $199,035 | $196,110 | $199,738 | $182,474 | $200,576 | $213,091 | $217,319 | $229,494 | $221,208 | $252,000 |
| Contributions in relation to the contractually required contribution | 199,035 | 196,110 | 199,738 | 182,474 | 200,576 | 213,091 | 217,319 | 229,494 | 221,208 | 252,000 |
| Contribution deficiency (excess) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| District's covered-employee payroll | $2,026,833 | $1,992,988 | $1,475,170 | $1,451,663 | $1,491,271 | $1,539,675 | $1,567,958 | $1,741,229 | $1,580,057 | $1,800,000 |
| Contributions as a percentage of covered-employee payroll | 9.82% | 9.84% | 13.54% | 12.57% | 13.45% | 13.84% | 13.86% | 13.18% | 14.00% | 14.00% |

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**Reading Community City School District**
**Hamilton County**
***Schedule of Federal Awards Expenditures***
***For the Fiscal Year Ended June 30, 2017***

| Federal Grantor/Pass Through Grantor/Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|---|---|---|---|---|---|
| **United States Department of Agriculture** | | | | | | |
| *Passed through the Ohio Department of Education* | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| School Breakfast Program | 3L70 | 10.553 | $109,174 | $0 | $109,174 | $0 |
| National School Lunch Program | 3L60 | 10.555 | 409,457 | 59,325 | 409,457 | 59,325 |
| Total Child Nutrition Cluster | | | 518,631 | 59,325 | 518,631 | 59,325 |
| School Food Equipment | 3GF0 | 10.579 | 12,756 | 0 | 12,756 | 0 |
| Fresh Fruit and Vegetable | 3GG0 | 10.582 | 17,674 | 0 | 17,674 | 0 |
| Total United States Department of Agriculture | | | 549,061 | 59,325 | 549,061 | 59,325 |
| **United States Department of Education** | | | | | | |
| *Passed through the Ohio Department of Education* | | | | | | |
| Special Education Cluster: | | | | | | |
| Special Education-Grants to States | 3M20 | 84.027 | 460,351 | 0 | 451,342 | 0 |
| Special Education-Preschool Grants | 3C50 | 84.173 | 8,572 | 0 | 8,572 | 0 |
| Total Special Education Cluster | | | 468,923 | 0 | 459,914 | 0 |
| Title I Cluster: | | | | | | |
| Title I Grants to Local Educational Agencies | 3M00 | 84.010 | 538,470 | 0 | 538,384 | 0 |
| Total Title I Cluster | | | 538,470 | 0 | 538,384 | 0 |
| Improving Teacher Quality State Grants | 3Y60 | 84.367 | 38,576 | 0 | 38,575 | 0 |
| Total United States Department of Education | | | 1,045,969 | 0 | 1,036,873 | 0 |
| Total Federal Financial Assistance | | | $1,595,030 | $59,325 | $1,585,934 | $59,325 |

**The notes to the schedule of federal awards expenditures are an integral part of this schedule.**

**Note 1 – Basis of Presentation**

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

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 – Child Nutrition Cluster**

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

**Note 4 – Food Donation Program**

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

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Education
Reading Community City School District
1301 Bonnell Avenue
Reading, Ohio 45215

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Reading Community 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, and have issued our report thereon dated October 27, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Millhuff-Stang, CPA, Inc.**
**1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548**
**45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978**
**Fax: 888.876.8549**
**natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com**
**www.millhuffstangcpa.com**

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

October 27, 2017

**Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

Board of Education
Reading Community City School District
1301 Bonnell Avenue
Reading, Ohio 45215

**Report on Compliance for Each Major Federal Program**

We have audited the Reading Community City School District's, (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

**Report on Internal Control Over Compliance**

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

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

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

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

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

October 27, 2017

## Section I – Summary of Auditor's Results

| | |
|---|---|
| *Financial Statements* | |
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |
| | |
| *Federal Awards* | |
| Internal control over major program(s): | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| Identification of major federal program(s): | Title I Grants to Local Educational Agencies (CFDA #84.010) |
| Dollar threshold used to distinguish between type A and type B programs: | $750,000 |
| Auditee qualified as low-risk auditee? | Yes |

## Section II – Financial Statement Findings

None

## Section III – Federal Award Findings and Questioned Costs

None

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# Dave Yost • Auditor of State

**READING COMMUNITY CITY SCHOOL DISTRICT**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**JANUARY 4, 2018**

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
**www.ohioauditor.gov**