



OHIO AUDITOR OF STATE
KEITH FABER



**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

Miami East Local School District
Miami County
3825 North State Route 589
Casstown, Ohio 45312

To the Board of Education:

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 Miami East Local School District, Miami County, Ohio (the District), as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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 Miami East Local School District, Miami County, Ohio, as of June 30, 2019 and 2018, and the respective changes in financial position thereof and the budgetary comparison for the general fund thereof for the fiscal years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter. Also, as discussed in fiscal year 2019 Note 20 to the financial statements, during fiscal year 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 3, 2020

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

The discussion and analysis of the Miami East Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position of governmental activities increased \$2,872,683 which represents a 37.71% increase from June 30, 2018's net position.
- General revenues accounted for \$15,793,296 in revenue or 88.09% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,135,941 or 11.91% of total revenues of \$17,929,237.
- The District had \$15,056,554 in expenses related to governmental activities; \$2,135,941 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,793,296 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$15,341,373 in revenues and \$14,138,036 in expenditures. During fiscal year 2019, the general fund's fund balance increased \$1,203,337 from \$8,320,019 to \$9,523,356.
- The bond retirement fund had \$1,375,631 in revenues and \$1,335,994 in expenditures. During fiscal year 2019, the bond retirement fund's fund balance increased \$39,637 from \$1,839,003 to \$1,878,640.

Using these 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 the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *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 most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

These two statements report the District's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-65 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 68-83 of this report.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2019 and June 30, 2018.

	Net Position	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<u>Assets</u>		
Current and other assets	\$ 19,252,856	\$ 17,735,433
Net OPEB asset	780,297	-
Capital assets, net	<u>24,969,274</u>	<u>25,707,434</u>
Total assets	<u>45,002,427</u>	<u>43,442,867</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	374,676	395,085
Pension	3,471,980	4,221,503
OPEB	<u>177,675</u>	<u>145,847</u>
Total deferred outflows of resources	<u>4,024,331</u>	<u>4,762,435</u>
<u>Liabilities</u>		
Current liabilities	1,652,107	1,654,732
Long-term liabilities:		
Due within one year	924,472	1,002,800
Due in more than one year:		
Net pension liability	13,121,609	14,038,586
Net OPEB liability	1,206,402	3,086,028
Other amounts	<u>14,290,660</u>	<u>14,988,818</u>
Total liabilities	<u>31,195,250</u>	<u>34,770,964</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	5,050,946	4,846,666
Pension	917,167	610,416
OPEB	<u>1,373,154</u>	<u>359,698</u>
Total deferred inflows of resources	<u>7,341,267</u>	<u>5,816,780</u>
<u>Net Position</u>		
Net investment in capital assets	11,344,433	11,447,674
Restricted	2,578,407	2,536,661
Unrestricted (deficit)	<u>(3,432,599)</u>	<u>(6,366,777)</u>
Total net position	<u>\$ 10,490,241</u>	<u>\$ 7,617,558</u>

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$10,490,241. Of this total, \$2,578,407 is restricted in use.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

Assets of the District increased \$1,559,560 or 3.59%. This increase is due mainly to reporting the net OPEB asset associated with the State Teachers Retirement System (STRS).

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 12 for more detail.

Total assets include a net OPEB asset reported by STRS. See Note 13 for more detail. STRS did not report a net OPEB asset in the prior year.

At year-end, capital assets represented 55.48% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Net investment in capital assets at June 30, 2019, was 11,344,433. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

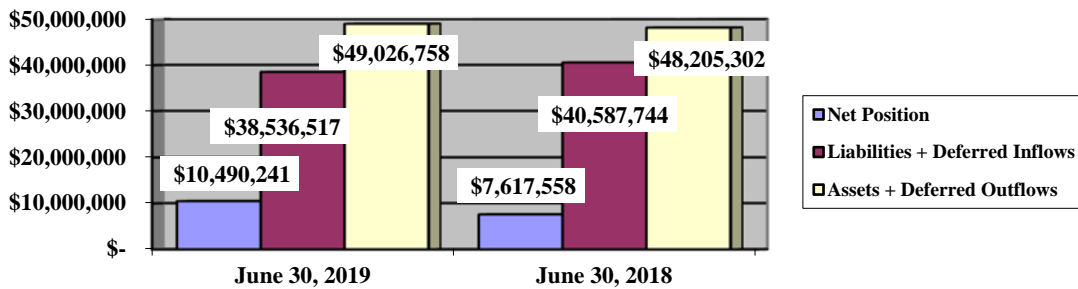
Deferred inflows related to OPEB increased primarily due to changes in assumptions by STRS. See Note 13 for more detail.

Liabilities of the District decreased \$3,575,714 or 10.28%. Long-term liabilities decreased primarily due to a decrease in the net pension liability and net OPEB liability. These liabilities are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

A portion of the District's net position, \$2,578,407, represents resources that are subject to external restriction on how they may be used. The largest portion of restricted net position is \$1,843,049 that is restricted for debt service. The remaining balance of unrestricted net position is (\$3,432,599). The increase in unrestricted net position is associated with the increase in general fund balance and the overall decrease in net pension liability and net OPEB liability.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2019 and June 30, 2018.

Governmental Activities



**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

The table below shows the change in net position for fiscal year 2019 and 2018.

	Change in Net Position	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,180,958	\$ 1,247,268
Operating grants and contributions	954,983	889,622
General revenues:		
Property taxes	5,748,707	5,479,637
Income taxes	3,491,686	3,419,235
Unrestricted grants and entitlements	6,205,302	6,175,353
Investment earnings	265,428	135,926
Other	<u>82,173</u>	<u>72,108</u>
 Total revenues	 <u>17,929,237</u>	 <u>17,419,149</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	5,776,921	2,858,462
Special	1,468,379	1,053,902
Vocational	88,380	54,650
Other	1,127,036	1,013,000
Support services:		
Pupil	879,428	586,977
Instructional staff	715,782	427,776
Board of education	29,043	21,133
Administration	805,188	408,801
Fiscal	389,797	282,132
Business	89,248	78,287
Operations and maintenance	1,274,221	1,085,843
Pupil transportation	926,995	712,313
Central	141,855	83,247
Operations of non-instructional services:		
Other non-instructional services	4,623	3,915
Food service operations	368,948	298,131
Extracurricular activities	532,864	309,884
Interest and fiscal charges	<u>437,846</u>	<u>585,204</u>
 Total expenses	 <u>15,056,554</u>	 <u>9,863,657</u>
 Change in net position	 2,872,683	 7,555,492
 Net position at beginning of year	 <u>7,617,558</u>	 <u>62,066</u>
 Net position at end of year	 <u>\$ 10,490,241</u>	 <u>\$ 7,617,558</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

Governmental Activities

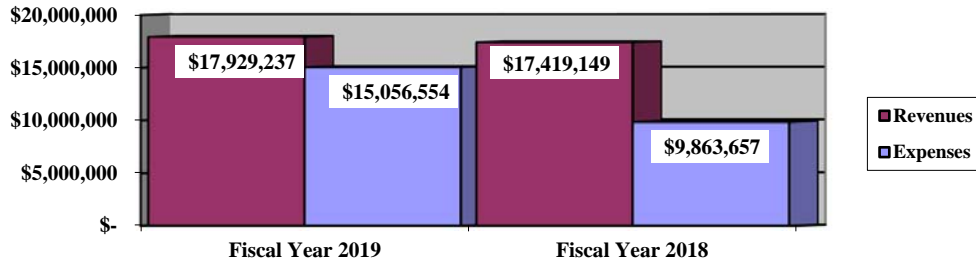
Net position of the District’s governmental activities increased \$2,872,683. Total governmental expenses of \$15,056,554 were offset by program revenues of \$2,135,941 and general revenues of \$15,793,296. Program revenues supported 14.19% of the total governmental expenses.

Overall, expenses of the governmental activities increased \$5,192,897 or 52.65%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment (“COLA”) and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

On an accrual basis, the District reported \$1,144,177 and (\$4,525,991) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the District reported (\$1,642,208) and (\$499,723) in OPEB expense for fiscal year 2019 and 2018, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was \$4,527,683. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities. The District’s total expenses for fiscal year 2019 are comparable to total fiscal year 2017 expenses.

The graph below presents the District’s governmental activities revenues and expenses for fiscal year 2019 and 2018.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. The total cost of services represents the total cost the District incurred to provide the service and the net cost of services represents the cost of the service after applying specific program revenues attributable to that service.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

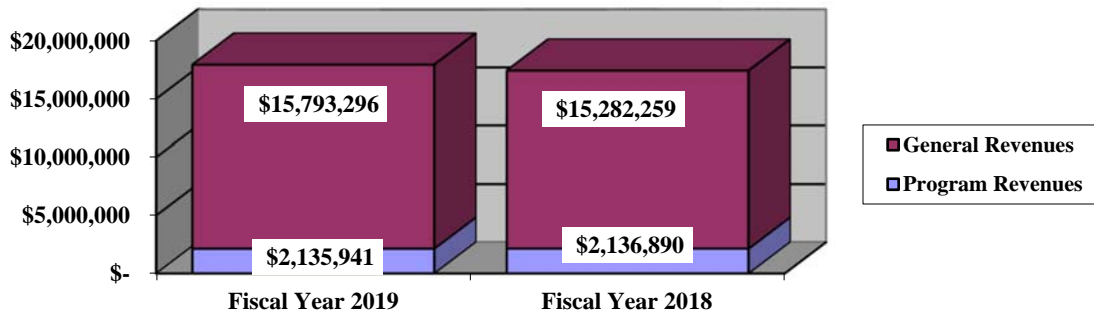
Governmental Activities

	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>
Program expenses				
Instruction:				
Regular	\$ 5,776,921	\$ 5,045,753	\$ 2,858,462	\$ 2,048,476
Special	1,468,379	764,438	1,053,902	416,535
Vocational	88,380	14,155	54,650	(6,480)
Other	1,127,036	1,127,036	1,013,000	1,013,000
Support services:				
Pupil	879,428	861,459	586,977	573,750
Instructional staff	715,782	698,961	427,776	407,901
Board of education	29,043	29,043	21,133	21,133
Administration	805,188	803,303	408,801	407,145
Fiscal	389,797	370,444	282,132	259,349
Business	89,248	89,248	78,287	78,287
Operations and maintenance	1,274,221	1,235,022	1,085,843	1,071,391
Pupil transportation	926,995	888,651	712,313	659,693
Central	141,855	141,855	83,247	83,247
Operations of non-instructional services:				
Other non-instructional services	4,623	3,624	3,915	2,932
Food service operations	368,948	29,398	298,131	(72,916)
Extracurricular activities	532,864	380,377	309,884	178,120
Interest and fiscal charges	437,846	437,846	585,204	585,204
Total expenses	<u>\$ 15,056,554</u>	<u>\$ 12,920,613</u>	<u>\$ 9,863,657</u>	<u>\$ 7,726,767</u>

The dependence upon tax and other general revenues for governmental activities is apparent, as 82.16% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.81%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2019 and 2018.

Governmental Activities - General and Program Revenues



**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund balance of \$12,183,302 which is more than last year's total of \$10,948,420. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and June 30, 2018.

	Fund Balance <u>June 30, 2019</u>	Fund Balance <u>June 30, 2018</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 9,523,356	\$ 8,320,019	\$ 1,203,337	14.46 %
Bond Retirement	1,878,640	1,839,003	39,637	2.16 %
Other Governmental	<u>781,306</u>	<u>789,398</u>	<u>(8,092)</u>	(1.03) %
Total	<u>\$ 12,183,302</u>	<u>\$10,948,420</u>	<u>\$ 1,234,882</u>	11.28 %

General Fund

The District's general fund balance increased \$1,203,337.

Revenues of the general fund increased \$319,005 or 2.12%. This increase can be attributed to an increase in earnings on investments.

Expenditures of the general fund increased \$484,509 or 3.55%. The most significant increase was in the area of instruction. These increases resulted from salary and benefit increases to District staff.

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 7,804,502	\$ 7,604,962	\$ 199,540	2.62 %
Tuition	663,882	739,358	(75,476)	(10.21) %
Earnings on investments	265,428	135,926	129,502	95.27 %
Intergovernmental	6,379,111	6,351,110	28,001	0.44 %
Other revenues	<u>228,450</u>	<u>191,012</u>	<u>37,438</u>	19.60 %
Total	<u>\$ 15,341,373</u>	<u>\$ 15,022,368</u>	<u>\$ 319,005</u>	2.12 %
<u>Expenditures</u>				
Instruction	\$ 8,728,095	\$ 8,295,142	\$ 432,953	5.22 %
Support services	5,054,067	5,041,104	12,963	0.26 %
Non-instructional services	1,912	1,915	(3)	(0.16) %
Extracurricular activities	336,884	313,464	23,420	7.47 %
Facilities acquisition and construction	<u>17,078</u>	<u>1,902</u>	<u>15,176</u>	797.90 %
Total	<u>\$ 14,138,036</u>	<u>\$ 13,653,527</u>	<u>\$ 484,509</u>	3.55 %

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

Bond Retirement Fund

The bond retirement fund had \$1,375,631 in revenues and \$1,335,994 in expenditures. During fiscal year 2019, the bond retirement fund's fund balance increased \$39,637 from \$1,839,003 to \$1,878,640. The increase in fund balance is the result of property tax collections exceeding schedule principal and interest payments on general obligation bonds during the fiscal year.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources were \$15,308,416. Final budgeted revenues and other financing sources for fiscal year 2019 was \$15,157,870. This represents a \$150,546 decrease from original budgeted revenues. Actual revenues and other financing sources were \$15,149,320.

General fund original and final appropriations (appropriated expenditures including other financing uses) totaled \$15,334,514. The actual budget basis expenditures for fiscal year 2019 totaled \$14,482,569, which was \$851,945 less than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the District had \$24,969,274 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2019 balances compared to June 30, 2018:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2019	2018
Land	\$ 303,182	\$ 303,182
Construction in progress	84,945	-
Land improvements	813,163	886,580
Building and improvements	22,623,459	23,173,933
Furniture, fixtures and equipment	351,245	419,238
Vehicles	793,280	924,501
Total	\$ 24,969,274	\$ 25,707,434

The overall decrease in capital assets of \$738,160 is due to current year depreciation of \$918,344 and disposals (net of accumulated depreciation) of \$1,869 exceeding additions (net of accumulated depreciation) of \$182,053. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2019, the District had \$12,905,000 in general obligation bonds payable. Of this total, \$765,000 is due within one year and \$12,140,000 is due in more than one year.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
2009 school improvement bonds	\$ -	\$ 168,274
2016A school improvement refunding bonds	5,295,000	5,310,000
2018 refunding bonds	<u>7,610,000</u>	<u>8,245,000</u>
Total	<u>\$ 12,905,000</u>	<u>\$ 13,723,274</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mrs. Lisa Fahneke, Treasurer, Miami East Local School District, 3825 N. State Route 589, Casstown, Ohio 45312.

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 11,965,523
Receivables:	
Property taxes	5,856,462
Income taxes.	1,300,050
Accounts.	17,115
Accrued interest	7,169
Intergovernmental	50,846
Prepayments	10,939
Materials and supplies inventory.	42,507
Inventory held for resale.	2,245
Net OPEB asset	780,297
Capital assets:	
Nondepreciable capital assets	388,127
Depreciable capital assets, net.	24,581,147
Capital assets, net	24,969,274
Total assets.	45,002,427
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	374,676
Pension	3,471,980
OPEB	177,675
Total deferred outflows of resources	4,024,331
 Liabilities:	
Accounts payable.	89,895
Contracts payable.	59,441
Accrued wages and benefits payable	1,166,023
Intergovernmental payable	99,532
Pension and postemployment benefits payable	183,502
Accrued interest payable	40,003
Unearned revenue	13,711
Long-term liabilities:	
Due within one year.	924,472
Due in more than one year:	
Net pension liability	13,121,609
Net OPEB liability	1,206,402
Other amounts due in more than one year	14,290,660
Total liabilities	31,195,250
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	5,050,946
Pension	917,167
OPEB	1,373,154
Total deferred inflows of resources	7,341,267
 Net position:	
Net investment in capital assets	11,344,433
Restricted for:	
Capital projects	519,413
Classroom facilities maintenance	116,264
Debt service.	1,843,049
State funded programs.	22,124
Federally funded programs	10,124
Student activities	28,288
Other purposes	39,145
Unrestricted (deficit)	(3,432,599)
Total net position.	\$ 10,490,241

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 5,776,921	\$ 703,659	\$ 27,509	\$ (5,045,753)
Special	1,468,379	52,519	651,422	(764,438)
Vocational	88,380	-	74,225	(14,155)
Other	1,127,036	-	-	(1,127,036)
Support services:				
Pupil	879,428	14,495	3,474	(861,459)
Instructional staff	715,782	1,455	15,366	(698,961)
Board of education	29,043	-	-	(29,043)
Administration	805,188	1,885	-	(803,303)
Fiscal	389,797	13,471	5,882	(370,444)
Business	89,248	-	-	(89,248)
Operations and maintenance	1,274,221	6,690	32,509	(1,235,022)
Pupil transportation	926,995	30,704	7,640	(888,651)
Central	141,855	-	-	(141,855)
Operation of non-instructional services:				
Other non-instructional services	4,623	999	-	(3,624)
Food service operations	368,948	238,468	101,082	(29,398)
Extracurricular activities	532,864	116,613	35,874	(380,377)
Interest and fiscal charges	437,846	-	-	(437,846)
Total governmental activities	\$ 15,056,554	\$ 1,180,958	\$ 954,983	(12,920,613)
General revenues:				
Property taxes levied for:				
General purposes				4,333,528
Facilities maintenance				82,358
Debt service				1,200,397
Capital outlay				132,424
Income taxes levied for:				
General purposes				3,491,686
Grants and entitlements not restricted to specific programs				
Investment earnings				6,205,302
Miscellaneous				265,428
				82,173
Total general revenues				15,793,296
Change in net position				2,872,683
Net position at beginning of year				7,617,558
Net position at end of year				\$ 10,490,241

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 9,389,334	\$ 1,706,014	\$ 870,175	\$ 11,965,523
Receivables:				
Property taxes.	4,397,109	1,241,782	217,571	5,856,462
Income taxes	1,300,050	-	-	1,300,050
Accounts	14,540	-	2,575	17,115
Accrued interest	7,169	-	-	7,169
Intergovernmental.	38,557	-	12,289	50,846
Prepayments.	9,676	-	1,263	10,939
Materials and supplies inventory.	41,727	-	780	42,507
Inventory held for resale.	-	-	2,245	2,245
Due from other funds	2,165	-	-	2,165
Total assets	<u>\$ 15,200,327</u>	<u>\$ 2,947,796</u>	<u>\$ 1,106,898</u>	<u>\$ 19,255,021</u>
Liabilities:				
Accounts payable	\$ 81,982	\$ -	\$ 7,913	\$ 89,895
Contracts payable.	-	-	59,441	59,441
Accrued wages and benefits payable	1,129,893	-	36,130	1,166,023
Compensated absences payable	52,206	-	-	52,206
Intergovernmental payable	99,128	-	404	99,532
Pension and postemployment benefits payable	176,642	-	6,860	183,502
Due to other funds	-	-	2,165	2,165
Unearned revenue.	-	-	13,711	13,711
Total liabilities.	<u>1,539,851</u>	<u>-</u>	<u>126,624</u>	<u>1,666,475</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	3,799,109	1,064,744	187,093	5,050,946
Delinquent property tax revenue not available.	16,458	4,412	799	21,669
Income tax revenue not available	280,500	-	-	280,500
Intergovernmental revenue not available.	11,450	-	10,124	21,574
Miscellaneous revenue not available.	29,603	-	952	30,555
Total deferred inflows of resources	<u>4,137,120</u>	<u>1,069,156</u>	<u>198,968</u>	<u>5,405,244</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	41,727	-	780	42,507
Prepayments	9,676	-	1,263	10,939
Unclaimed monies	1,816	-	-	1,816
Restricted:				
Debt service	-	1,878,640	-	1,878,640
Capital improvements	-	-	578,361	578,361
Classroom facilities maintenance	-	-	115,958	115,958
Food service operations	-	-	41,483	41,483
Other purposes.	-	-	27,560	27,560
Extracurricular activities	-	-	26,468	26,468
Assigned:				
Student instruction	23,086	-	-	23,086
Student and staff support.	393,447	-	-	393,447
Extracurricular activities	878	-	-	878
Subsequent year's appropriations	996,640	-	-	996,640
Unassigned (deficit).	8,056,086	-	(10,567)	8,045,519
Total fund balances	<u>9,523,356</u>	<u>1,878,640</u>	<u>781,306</u>	<u>12,183,302</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 15,200,327</u>	<u>\$ 2,947,796</u>	<u>\$ 1,106,898</u>	<u>\$ 19,255,021</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Total governmental fund balances		\$	12,183,302
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			24,969,274
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	21,669	
Income taxes receivable		280,500	
Accounts receivable		42,005	
Intergovernmental receivable		10,124	
Total		354,298	354,298
Unamortized premiums on bonds issued are not recognized in the funds.			(1,035,076)
Unamortized amounts on refundings are not recognized in the funds.			374,676
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(40,003)
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 of resources - pension		3,471,980	
Deferred inflows of resources - pension		(917,167)	
Net pension liability		(13,121,609)	
Total		(10,566,796)	(10,566,796)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - OPEB		177,675	
Deferred inflows of resources - OPEB		(1,373,154)	
Net OPEB asset		780,297	
Net OPEB liability		(1,206,402)	
Total		(1,621,584)	(1,621,584)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(12,905,000)	
Compensated absences		(1,222,850)	
Total		(14,127,850)	(14,127,850)
Net position of governmental activities		\$	10,490,241

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,336,173	\$ 1,200,218	\$ 214,937	\$ 5,751,328
Income taxes	3,468,329	-	-	3,468,329
Tuition	663,882	-	-	663,882
Transportation fees	26,407	-	-	26,407
Earnings on investments	265,428	-	2,051	267,479
Charges for services	-	-	251,925	251,925
Extracurricular	36,706	-	114,997	151,703
Classroom materials and fees	82,503	-	-	82,503
Rental income	5,935	-	-	5,935
Contributions and donations	46,831	-	30,958	77,789
Other local revenues	30,068	-	7,130	37,198
Intergovernmental - state	6,379,111	175,413	69,218	6,623,742
Intergovernmental - federal	-	-	493,421	493,421
Total revenues	<u>15,341,373</u>	<u>1,375,631</u>	<u>1,184,637</u>	<u>17,901,641</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,311,909	-	27,400	6,339,309
Special	1,207,285	-	353,192	1,560,477
Vocational	81,865	-	-	81,865
Other	1,127,036	-	-	1,127,036
Support services:				
Pupil	861,087	-	3,480	864,567
Instructional staff	707,925	-	21,642	729,567
Board of education	28,980	-	-	28,980
Administration	914,171	-	4,000	918,171
Fiscal	383,510	19,454	23,402	426,366
Business	85,386	-	-	85,386
Operations and maintenance	1,116,021	-	154,333	1,270,354
Pupil transportation	862,421	-	165	862,586
Central	94,566	-	-	94,566
Operation of non-instructional services:				
Other non-instructional services	1,912	-	-	1,912
Food service operations	-	-	352,017	352,017
Extracurricular activities	336,884	-	147,213	484,097
Facilities acquisition and construction	17,078	-	105,885	122,963
Debt service:				
Principal retirement	-	696,474	-	696,474
Interest and fiscal charges	-	486,540	-	486,540
Accretion on capital appreciation bonds	-	133,526	-	133,526
Total expenditures	<u>14,138,036</u>	<u>1,335,994</u>	<u>1,192,729</u>	<u>16,666,759</u>
Net change in fund balances	1,203,337	39,637	(8,092)	1,234,882
Fund balances at beginning of year	<u>8,320,019</u>	<u>1,839,003</u>	<u>789,398</u>	<u>10,948,420</u>
Fund balances at end of year	<u>\$ 9,523,356</u>	<u>\$ 1,878,640</u>	<u>\$ 781,306</u>	<u>\$ 12,183,302</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

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, 2019

Net change in fund balances - total governmental funds	\$	1,234,882
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 182,053	
Current year depreciation	(918,344)	
Total		(736,291)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(1,869)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(2,621)	
Income taxes	23,357	
Charges for services	156	
Extracurricular	459	
Classroom materials and fees	10,923	
Other local revenue	(9,617)	
Intergovernmental	4,939	
Total		27,596
Repayment of bond and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	696,474	
Payment of accretion	133,526	
Total		830,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Change in accrued interest payable	1,084	
Accreted interest on capital appreciation bonds	(11,726)	
Amortization of bond premiums	79,745	
Amortization of deferred charges	(20,409)	
Total		48,694
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		1,004,880
OPEB		36,087
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/net OPEB liability/asset are reported as pension expense/OPEB expense statement of activities.		
Pension		(1,144,177)
OPEB		1,642,208
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(69,327)
Change in net position of governmental activities	\$	2,872,683

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,473,788	\$ 4,316,079	\$ 4,316,080	\$ 1
Income taxes	3,407,470	3,364,842	3,364,842	-
Tuition	732,102	663,882	663,882	-
Transportation fees	27,571	26,462	26,462	-
Earnings on investments	141,047	263,006	263,006	-
Extracurricular	1,333	1,434	1,434	-
Classroom materials and fees	42,071	45,146	45,146	-
Rental income	6,145	5,935	5,935	-
Contributions and donations	1,745	29,012	29,012	-
Other local revenues	18,335	18,792	18,792	-
Intergovernmental - state	6,412,830	6,364,125	6,355,574	(8,551)
Total revenues	<u>15,264,437</u>	<u>15,098,715</u>	<u>15,090,165</u>	<u>(8,550)</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,800,198	6,800,198	6,268,428	531,770
Special	1,266,254	1,266,254	1,204,563	61,691
Vocational	87,687	87,687	81,945	5,742
Other	1,171,664	1,171,664	1,133,417	38,247
Support services:				
Pupil	718,757	718,757	831,542	(112,785)
Instructional staff	784,555	784,555	736,222	48,333
Board of education	30,990	30,990	29,402	1,588
Administration	917,160	917,160	895,035	22,125
Fiscal	406,903	406,903	390,033	16,870
Business	68,762	68,762	109,554	(40,792)
Operations and maintenance	1,272,138	1,272,138	1,273,650	(1,512)
Pupil transportation	1,437,168	1,437,168	1,090,645	346,523
Central	64,025	64,025	95,592	(31,567)
Other operation of non-instructional services	1,000	1,000	-	1,000
Extracurricular activities	279,993	279,993	324,370	(44,377)
Facilities acquisition and construction	23,014	23,014	18,171	4,843
Total expenditures	<u>15,330,268</u>	<u>15,330,268</u>	<u>14,482,569</u>	<u>847,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,831)</u>	<u>(231,553)</u>	<u>607,596</u>	<u>839,149</u>
Other financing sources (uses):				
Refund of prior year's expenditures	41,580	59,144	59,144	-
Transfers (out)	(4,246)	(4,246)	-	4,246
Sale of capital assets	2,399	11	11	-
Total other financing sources	<u>39,733</u>	<u>54,909</u>	<u>59,155</u>	<u>4,246</u>
Net change in fund balance	(26,098)	(176,644)	666,751	843,395
Fund balance at beginning of year	7,745,034	7,745,034	7,745,034	-
Prior year encumbrances appropriated	451,865	451,865	451,865	-
Fund balance at end of year	<u>\$ 8,170,801</u>	<u>\$ 8,020,255</u>	<u>\$ 8,863,650</u>	<u>\$ 843,395</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 11,579	\$ 141,958
Receivables:		
Accounts	-	2,324
Total assets.	11,579	\$ 144,282
Liabilities:		
Accounts payable.	-	\$ 3,445
Due to students.	-	123,268
Undistributed monies	-	17,569
Total liabilities	-	\$ 144,282
Net position:		
Held in trust for scholarships	11,579	
Total net position.	\$ 11,579	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 234
Total additions	234
 Change in net position	 234
Net position at beginning of year	11,345
Net position at end of year	\$ 11,579

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - DESCRIPTION OF THE DISTRICT

Miami East Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and federal guidelines.

The District was established in 1956 through the consolidation of existing land areas and Districts. The District serves an area of approximately 118 square miles. It is located in Miami County, and includes all of the Villages of Casstown and Fletcher; Brown, Elizabeth, Lostcreek and Staunton Townships; and portions of Springcreek and Bethel Townships.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District participates in two jointly governed organizations, two insurance purchasing pools and one public entity shared risk pool. These organizations are discussed in Note 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association (META) Solutions
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pools:

Ohio School Comp Workers' Compensation Group Rating Program
Ohio School Plan

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District typically 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 plus deferred outflows of resources and liabilities plus 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 operating fund of the District and is used to account for and report all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund accounts for and reports the accumulation of restricted property taxes received and the payment of general obligation bond principal and interest.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specific purposes other than debt service or capital projects.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 two trust funds are private purpose trusts which account for college scholarship programs for students. One of the District's two agency funds accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor. The other agency fund accounts for activity related to the Section 125 benefit plan for employees.

C. 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 for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type. The District; however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the District at fiscal 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, 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 fiscal 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 rather than reporting by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

D. Measurement Focus

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

The private purpose trust funds are reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

E. Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. 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 basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “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 60 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and 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 fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Notes 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

F. Cash and Cash Equivalents

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

During fiscal year 2019, the District invested in STAR Ohio (State Treasury Asset Reserve of Ohio). Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

During fiscal year 2019, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio Statute, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2019 amounted to \$265,428 which includes \$61,542 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash and cash equivalents.

G. Inventory

On government-wide and fund financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food held for resale.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

I. Capital Assets

The District's only capital assets are general capital assets. General capital assets are capital assets that are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$750. 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 capitalized.

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:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	7 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	3 - 15 years
Vehicles	5 - 10 years

J. 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 governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

K. Compensated Absences

Vacation, compensatory time, and personal leave 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. The District records a liability for unused personal leave and compensatory time for all employees who have a balance at the end of the fiscal year.

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 all employees after 10 years of current service with the District.

The entire compensated absences liability is reported on the government-wide financial statements.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Unamortized Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

On the government-wide financial statements bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as an addition to the face amount of bonds payable. Issuance costs are expensed in the year they occur.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued. Accretion on the capital appreciation bonds is not recorded.

M. Loss on Advance Refunding

On the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain/loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This amount is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. 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. The amount restricted for other purposes represents amounts restricted for food service operations.

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

O. 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used 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 restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

P. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

Q. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". Receivables and payables resulting from negative cash balances are classified as "due to/due from other funds". These amounts are eliminated in the governmental type activities columns of the statement of net position.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The public school preschool fund (a nonmajor governmental fund) is administered by a fiscal agent and is not budgeted by the District. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the 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 budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. 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 fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that was 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 fiscal 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

S. 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 may differ from those estimates.

T. Pensions/Other Postemployment Benefits (OPEB)

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2019, the District had neither type of occurrence.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statement of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficit:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA, Part B	\$ 10,567

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits was \$6,469,329 and the bank balance of all District deposits was \$6,641,427. Of the bank balance, \$5,921,624 was covered by the FDIC and \$719,803 was covered by the Ohio Pooled Collateral System.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2019, the District's financial institutions were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2019, the District had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>Investment Maturities 6 months or less</u>
<i>Amortized Cost:</i> STAR Ohio	<u>\$ 5,649,731</u>	<u>\$ 5,649,731</u>

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2019:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
<i>Amortized Cost:</i> STAR Ohio	<u>\$ 5,649,731</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,469,329
Investments	<u>5,649,731</u>
Total	<u>\$ 12,119,060</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 11,965,523
Private purpose trust funds	11,579
Agency funds	<u>141,958</u>
Total	<u>\$ 12,119,060</u>

NOTE 5 - INTERFUND TRANSACTIONS

Due to/from other funds consisted of the following at June 30, 2019, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 2,165</u>

The primary purpose of the amount due to the general fund from the nonmajor governmental funds was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

NOTE 6 - PROPERTY TAXES

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Miami County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$581,542 in the general fund, \$172,626 in the bond retirement fund, \$18,302 in the permanent improvement fund (a nonmajor governmental fund) and \$11,377 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$561,449 in the general fund, \$154,369 in the bond retirement fund, \$17,781 in the permanent improvement fund (a nonmajor governmental fund) and \$11,053 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 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.

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 223,290,670	95.84	\$ 228,856,000	95.82
Public utility personal	<u>9,683,750</u>	<u>4.16</u>	<u>9,977,000</u>	<u>4.18</u>
Total	<u>\$ 232,974,420</u>	<u>100.00</u>	<u>\$ 238,833,000</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General	\$38.00		\$38.00	
Bond	5.50		5.95	
Permanent improvement	0.80		0.80	
Facilities maintenance	0.50		0.50	

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7 - INCOME TAX

In November 2011, the District voters approved the replacement of the 1.00% tax on all income of individuals. Income taxes are now levied at 1.75% on earned income of individuals residing in the District. Employers of the residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2019 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 5,856,462
Income taxes	1,300,050
Accounts	17,115
Accrued interest	7,169
Intergovernmental:	
Title VI-B	12,289
Miscellaneous reimbursements	27,807
State foundation	<u>10,750</u>
Total	<u>\$ 7,231,642</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 303,182	\$ -	\$ -	\$ 303,182
Construction in progress	-	84,945	-	84,945
Total capital assets, not being depreciated	<u>303,182</u>	<u>84,945</u>	<u>-</u>	<u>388,127</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,805,376	5,918	-	1,811,294
Buildings and improvements	29,286,364	50,967	-	29,337,331
Furniture, fixtures and equipment	2,248,964	40,223	(6,463)	2,282,724
Vehicles	1,872,788	-	-	1,872,788
Total capital assets, being depreciated	<u>35,213,492</u>	<u>97,108</u>	<u>(6,463)</u>	<u>35,304,137</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(918,796)	(79,335)	-	(998,131)
Buildings and improvements	(6,112,431)	(601,441)	-	(6,713,872)
Furniture, fixtures and equipment	(1,829,726)	(106,347)	4,594	(1,931,479)
Vehicles	(948,287)	(131,221)	-	(1,079,508)
Total accumulated depreciation	<u>(9,809,240)</u>	<u>(918,344)</u>	<u>4,594</u>	<u>(10,722,990)</u>
Governmental activities capital assets, net	<u>\$ 25,707,434</u>	<u>\$ (736,291)</u>	<u>\$ (1,869)</u>	<u>\$ 24,969,274</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 254,096
Special	36,423
Vocational	17,226
<u>Support services:</u>	
Pupil	62,288
Instructional staff	35,579
Board of education	1,613
Administration	51,695
Fiscal	4,626
Business	3,862
Operations and maintenance	98,757
Pupil transportation	134,840
Central	54,128
Food service operations	49,462
Extracurricular	<u>113,749</u>
Total depreciation expense	<u>\$ 918,344</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - LONG-TERM OBLIGATIONS

During fiscal year 2019, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding 06/30/18	Additions	Reductions	Balance Outstanding 06/30/19	Amounts Due in One Year
Governmental activities:					
2009 School Improvement Bonds					
14.96-14.98% stated rate - Original Issue on Capital Appreciation Bonds \$99,997	\$ 46,474	\$ -	\$ (46,474)	\$ -	\$ -
Accretion on Capital Appreciation Bonds	121,800	11,726	(133,526)	-	-
2016A School Improvement Refunding Bonds					
2.00-4.00% Serial Bonds \$4,590,000	4,575,000	-	(15,000)	4,560,000	195,000
4.00% Term Bonds \$735,000	735,000	-	-	735,000	-
Premium on Debt Issue	562,320	-	(28,961)	533,359	-
2018 Refunding Bonds					
Premium on Debt Issue	8,245,000	-	(635,000)	7,610,000	570,000
Premium on Debt Issue	552,501	-	(50,784)	501,717	-
Net pension liability	14,038,586	-	(916,977)	13,121,609	-
Net OPEB liability	3,086,028	-	(1,879,626)	1,206,402	-
Compensated absences	1,153,523	266,903	(145,370)	1,275,056	159,472
Total long-term obligations, governmental activities	<u>\$ 33,116,232</u>	<u>\$ 278,629</u>	<u>\$ (3,851,718)</u>	<u>\$ 29,543,143</u>	<u>\$ 924,472</u>

The 2009 School Improvement Bonds were issued April 29, 2009, for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, and site improvements. During fiscal year 2016, \$5,355,000 of the 2009 School Improvement Bonds were refunded by the Series 2016A School Improvement Refunding Bonds.

The 2009 capital appreciation bonds issued at \$99,997 are not subject to prior redemption. The remaining capital appreciation bonds will mature in fiscal year 2019, with a maturity amount of \$180,000. At June 30, 2019, there were no further obligations outstanding.

During fiscal year 2016, the District issued \$5,325,000 in Series 2016A School Improvement Refunding Bonds to refund \$5,355,000 of the 2009 School Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was \$5,355,000.

The issue is comprised of current interest bonds, par value \$5,325,000. The interest rates on the current interest bonds range from 2.00% - 4.00%.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$434,083. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2027. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,078,633 and resulted in an economic gain of \$779,846.

During fiscal year 2018, the District issued \$8,245,000 in general obligation bonds to refund \$8,585,000 of the Series 2007 School Improvement Refunding Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was \$8,030,000.

The issue is comprised of current interest bonds par value \$8,245,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,581. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2029. This advance refunding was undertaken to reduce the combined total debt service payments by \$837,948 and resulted in an economic gain of \$708,281.

The detail on the net pension liability and net OPEB liability/asset can be found in Notes 12 and 13, respectively. The general fund typically is used to liquidate the net pension and net OPEB liabilities.

Compensated absences will be paid from the general fund and food service fund (a nonmajor governmental fund). The bonds will be paid from the bond retirement fund.

The following table provides a summary of the District's future obligation for the general obligation bonds:

Fiscal Year Ending <u>June 30,</u>	<u>2016A School Improvement Refunding Bonds</u>		
	<u>Serial and Term Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 195,000	\$ 189,965	\$ 384,965
2021	205,000	183,965	388,965
2022	210,000	177,740	387,740
2023	220,000	171,290	391,290
2024	225,000	164,615	389,615
2025 - 2029	1,245,000	704,075	1,949,075
2030 - 2033	1,540,000	431,550	1,971,550
2034 - 2038	<u>1,455,000</u>	<u>106,465</u>	<u>1,561,465</u>
Total	<u>\$ 5,295,000</u>	<u>\$ 2,129,665</u>	<u>\$ 7,424,665</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	<u>2018 Refunding Bonds</u>		
	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 570,000	\$ 281,450	\$ 851,450
2021	585,000	266,975	851,975
2022	610,000	246,000	856,000
2023	635,000	221,100	856,100
2024	665,000	195,100	860,100
2025 - 2029	3,790,000	542,600	4,332,600
2030	<u>755,000</u>	<u>15,100</u>	<u>770,100</u>
Total	<u>\$ 7,610,000</u>	<u>\$ 1,768,325</u>	<u>\$ 9,378,325</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% 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% 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 effects of these debt limitations at June 30, 2019 are a voted debt margin of \$10,468,610, including available funds of \$1,878,640, and an unvoted debt margin of \$238,833.

NOTE 11 - 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. The District, along with other Districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual District enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the Hylant Administrative Services, LLC (See Note 18). The District contracts for property, fleet, inland marine coverage, crime insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with the OSP.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant decrease in insurance coverage from the last fiscal year.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 11 - RISK MANAGEMENT - (Continued)

Workers' Compensation

For fiscal year 2019, the District participated in the Ohio School Comp Workers' Compensation Group Rating Program, an insurance purchasing pool (Note 18). The intent of the Program is designed to reward participants that are able to keep their claim costs below a predetermined amount. Districts committed to improving workplace safety and accident prevention in order to reduce the frequency and severity of accidents involving their employees, should investigate this program further as an additional savings tool. The firm of Comp Management, a Sedgwick Company, provides administrative, cost control, and actuarial services to the Program.

Medical Benefits

For fiscal year 2019, the District participated in the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 93 Districts (Note 18). The District pays monthly premiums to the Trust for employee medical, dental, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 12 - 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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; or 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% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$205,414 for fiscal year 2019. Of this amount, \$14,220 is reported as pension and postemployment benefits payable.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$799,466 for fiscal year 2019. Of this amount, \$136,686 is reported as pension and postemployment benefits 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, 2018, 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 projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.044696600%	0.047855020%	
Proportion of the net pension liability current measurement date	<u>0.042682900%</u>	<u>0.048559210%</u>	
Change in proportionate share	<u>-0.002013700%</u>	<u>0.000704190%</u>	
Proportionate share of the net pension liability	\$ 2,444,529	\$ 10,677,080	\$ 13,121,609
Pension expense	\$ 150,305	\$ 993,872	\$ 1,144,177

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 134,067	\$ 246,461	\$ 380,528
Changes of assumptions	55,204	1,892,179	1,947,383
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	15,353	123,836	139,189
Contributions subsequent to the measurement date	<u>205,414</u>	<u>799,466</u>	<u>1,004,880</u>
Total deferred outflows of resources	<u>\$ 410,038</u>	<u>\$ 3,061,942</u>	<u>\$ 3,471,980</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 69,727	\$ 69,727
Net difference between projected and actual earnings on pension plan investments	67,730	647,444	715,174
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>78,525</u>	<u>53,741</u>	<u>132,266</u>
Total deferred inflows of resources	<u>\$ 146,255</u>	<u>\$ 770,912</u>	<u>\$ 917,167</u>

\$1,004,880 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, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$ 144,016	\$ 883,950	\$ 1,027,966
2021	15,346	623,911	639,257
2022	(80,221)	95,317	15,096
2023	<u>(20,772)</u>	<u>(111,614)</u>	<u>(132,386)</u>
Total	<u>\$ 58,369</u>	<u>\$ 1,491,564</u>	<u>\$ 1,549,933</u>

Actuarial Assumptions - SERS

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed 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 assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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	<u>100.00 %</u>	

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,443,303	\$ 2,444,529	\$ 1,607,123

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$ 15,592,470	\$ 10,677,080	\$ 6,516,869

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

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

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

Plan Description - School Employees Retirement System (SERS)

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$28,479.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$36,087 for fiscal year 2019. Of this amount, \$29,006 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.045418100%	0.047855020%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.043485400%</u>	<u>0.048559210%</u>	
Change in proportionate share	<u>-0.001932700%</u>	<u>0.000704190%</u>	
Proportionate share of the net OPEB liability	\$ 1,206,402	\$ -	\$ 1,206,402
Proportionate share of the net OPEB asset	\$ -	\$ (780,297)	\$ (780,297)
OPEB expense	\$ 44,923	\$ (1,687,131)	\$ (1,642,208)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 19,693	\$ 91,140	\$ 110,833
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	30,755	30,755
Contributions subsequent to the measurement date	<u>36,087</u>	<u>-</u>	<u>36,087</u>
Total deferred outflows of resources	<u>\$ 55,780</u>	<u>\$ 121,895</u>	<u>\$ 177,675</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 45,463	\$ 45,463
Net difference between projected and actual earnings on pension plan investments	1,810	89,142	90,952
Changes of assumptions	108,387	1,063,217	1,171,604
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>65,135</u>	<u>-</u>	<u>65,135</u>
Total deferred inflows of resources	<u>\$ 175,332</u>	<u>\$ 1,197,822</u>	<u>\$ 1,373,154</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$36,087 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ (58,743)	\$ (192,824)	\$ (251,567)
2021	(48,191)	(192,824)	(241,015)
2022	(14,776)	(192,824)	(207,600)
2023	(14,008)	(172,578)	(186,586)
2024	(14,129)	(165,477)	(179,606)
Thereafter	(5,792)	(159,400)	(165,192)
Total	\$ (155,639)	\$ (1,075,927)	\$ (1,231,566)

Actuarial Assumptions - SERS

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

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

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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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 %	

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 1,463,875	\$ 1,206,402	\$ 1,002,533
	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 973,345	\$ 1,206,402	\$ 1,515,012

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018	July 1, 2017
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%, effective July 1, 2017
Discounted rate of return	7.45%	N/A
Blended discount rate of return	N/A	4.13%
Health care cost trends		6 to 11% initial, 4.50% ultimate
	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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

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

Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
	District's proportionate share of the net OPEB asset	\$ 668,788	\$ 780,297

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 868,725	\$ 780,297

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 14 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation, personal leave, sick leave, and compensatory time components are derived from negotiated agreements and State laws. Classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation or compensatory time. Personal leave is accrued at three days per fiscal year for all employees under contract for a full school year. Unused personal leave accumulates to a maximum of five days. Unused personal leave accumulation over five days may be converted to sick leave, cashed out, or donated to a sick leave bank. Accumulated, unused personal time is not paid upon termination of employment. Employees may be granted compensatory time for hours worked outside their regular business day. Unused compensatory time accumulates to a maximum of 240 hours and any accumulated, unused balance is paid out upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 324 days for all certified employees and 300 days for all classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, not to exceed 314 days for certified employees and 290 days for classified employees.

Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to all employees through the Sun Life Assurance Company of Canada. Medical/surgical benefits are provided by Anthem through the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) (Note 18). The District also provides dental insurance through Delta Dental and vision insurance through Vision Insurance Plan to all eligible employees.

Deferred Compensation Plan

District employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

125 Plan

The District provides its full-time employees, except those employed on an as needed basis, an option to participate in an I.R.C. Section 125 plan. Money allocated to this plan must be used for expenses covered by that benefit during that benefit year. Any monies not used by the end of the plan year are forfeited to the District. Employees may elect to have plan benefit dollars applied to a health care reimbursement plan, a dependent care assistance plan, or an insurance premium payment plan. Participation is renewed annually with each benefit year beginning October 1 and ending September 30. This plan has been included as an Agency Fund and is administered by Horace Mann.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 666,751
Net adjustment for revenue accruals	149,961
Net adjustment for expenditure accruals	(25,811)
Net adjustment for other sources/uses	(59,155)
Funds budgeted elsewhere	4,214
Adjustment for encumbrances	<u>467,377</u>
GAAP basis	<u>\$ 1,203,337</u>

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 fund, public school support fund and unclaimed monies fund.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

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.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2018	\$ -
Current year set-aside requirement	244,795
Current year offsets	<u>(245,449)</u>
Total	<u>\$ (654)</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u>\$ -</u>

The District had current year offsets that reduced the capital improvements set-aside amount to zero.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND
PUBLIC ENTITY RISK SHARING POOL**

Jointly Governed Organizations

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2019, the District paid META Solutions \$60,567 for services. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council:

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts and educational service centers in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2019, the District did not make any payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Insurance Purchasing Pools

Ohio School Comp Workers' Compensation Group Rating Program:

The District participates in the Ohio School Comp Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool provided by Ohio School Board Association (OSBA). The GRP's business and affairs are conducted by a Board of Trustees consisting of a President and regional representatives. OSBA's executive director and regional managers serve on the board in an ex officio capacity. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program. CompManagement, a Sedgwick Company, administers the GRP.

Ohio School Plan:

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL - (Continued)

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust:

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical/surgical, dental, vision, life, and accidental death and dismemberment insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 415,942
Other governmental	<u>244,577</u>
Total	<u>\$ 660,519</u>

NOTE 20 - SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The investments of the pension and other post-employment benefit plans in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.04268290%	0.04469660%	0.04511140%	0.04375300%
District's proportionate share of the net pension liability	\$ 2,444,529	\$ 2,670,523	\$ 3,301,738	\$ 2,496,589
District's covered payroll	\$ 1,392,511	\$ 1,485,171	\$ 1,404,507	\$ 1,317,193
District's proportionate share of the net pension liability as a percentage of its covered payroll	175.55%	179.81%	235.08%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.04453500%	0.04453500%
\$ 2,253,891	\$ 2,648,354
\$ 1,294,098	\$ 1,304,783
174.17%	202.97%
71.70%	65.52%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST SIX FISCAL YEARS			
	2019	2018	2017	2016
District's proportion of the net pension liability	0.04855921%	0.04785502%	0.04770686%	0.04784818%
District's proportionate share of the net pension liability	\$ 10,677,080	\$ 11,368,063	\$ 15,968,924	\$ 13,223,837
District's covered payroll	\$ 5,691,964	\$ 5,185,214	\$ 5,060,821	\$ 5,053,914
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.58%	219.24%	315.54%	261.66%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.04857817%	0.04857817%
\$ 11,815,892	\$ 14,075,013
\$ 4,963,354	\$ 4,912,854
238.06%	286.49%
74.70%	69.30%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 205,414	\$ 187,989	\$ 207,924	\$ 196,631
Contributions in relation to the contractually required contribution	<u>(205,414)</u>	<u>(187,989)</u>	<u>(207,924)</u>	<u>(196,631)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,521,585	\$ 1,392,511	\$ 1,485,171	\$ 1,404,507
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 173,606	\$ 179,362	\$ 180,582	\$ 174,885	\$ 167,429	\$ 239,753
<u>(173,606)</u>	<u>(179,362)</u>	<u>(180,582)</u>	<u>(174,885)</u>	<u>(167,429)</u>	<u>(239,753)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,317,193	\$ 1,294,098	\$ 1,304,783	\$ 1,300,260	\$ 1,331,973	\$ 1,770,702
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 799,466	\$ 796,875	\$ 725,930	\$ 708,515
Contributions in relation to the contractually required contribution	<u>(799,466)</u>	<u>(796,875)</u>	<u>(725,930)</u>	<u>(708,515)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,710,471	\$ 5,691,964	\$ 5,185,214	\$ 5,060,821
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 707,548	\$ 645,236	\$ 638,671	\$ 642,141	\$ 685,169	\$ 667,169
<u>(707,548)</u>	<u>(645,236)</u>	<u>(638,671)</u>	<u>(642,141)</u>	<u>(685,169)</u>	<u>(667,169)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,053,914	\$ 4,963,354	\$ 4,912,854	\$ 4,939,546	\$ 5,270,531	\$ 5,132,069
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	2019	2018	2017
District's proportion of the net OPEB liability	0.04348540%	0.04541810%	0.04576734%
District's proportionate share of the net OPEB liability	\$ 1,206,402	\$ 1,218,902	\$ 1,304,538
District's covered payroll	\$ 1,392,511	\$ 1,485,171	\$ 1,404,507
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	86.64%	82.07%	92.88%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	2019	2018	2017
District's proportion of the net OPEB liability/asset	0.04855921%	0.04785502%	0.04770686%
District's proportionate share of the net OPEB liability/(asset)	\$ (780,297)	\$ 1,867,126	\$ 2,551,375
District's covered payroll	\$ 5,691,964	\$ 5,185,214	\$ 5,060,821
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.71%	36.01%	50.41%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 36,087	\$ 31,273	\$ 25,038	\$ 23,381
Contributions in relation to the contractually required contribution	<u>(36,087)</u>	<u>(31,273)</u>	<u>(25,038)</u>	<u>(23,381)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,521,585	\$ 1,392,511	\$ 1,485,171	\$ 1,404,507
Contributions as a percentage of covered payroll	2.37%	2.25%	1.69%	1.66%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 33,793	\$ 24,377	\$ 21,515	\$ 34,405	\$ 46,301	\$ 35,219
<u>(33,793)</u>	<u>(24,377)</u>	<u>(21,515)</u>	<u>(34,405)</u>	<u>(46,301)</u>	<u>(35,219)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,317,193	\$ 1,294,098	\$ 1,304,783	\$ 1,300,260	\$ 1,331,973	\$ 1,770,702
2.57%	1.88%	1.65%	2.65%	3.48%	1.99%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,710,471	\$ 5,691,964	\$ 5,185,214	\$ 5,060,821
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 51,415	\$ 49,219	\$ 49,295	\$ 52,705	\$ 51,321
-	(51,415)	(49,219)	(49,295)	(52,705)	(51,321)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,053,914	\$ 4,963,354	\$ 4,912,854	\$ 4,939,546	\$ 5,270,531	\$ 5,132,069
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position of governmental activities increased \$7,555,492 which represents a 12,173.31% increase from June 30, 2017's restated net position.
- General revenues accounted for \$15,282,259 in revenue or 87.73% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,136,890 or 12.27% of total revenues of \$17,419,149.
- The District had \$9,863,657 in expenses related to governmental activities; \$2,136,890 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,282,259 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$15,029,567 in revenues and other financing sources and \$13,653,527 in expenditures. During fiscal year 2018, the general fund's fund balance increased \$1,376,040 from \$6,943,979 to \$8,320,019.
- The bond retirement fund had \$10,052,103 in revenues and other financing sources and \$10,010,553 in expenditures and other financing uses. During fiscal year 2018, the bond retirement fund's fund balance increased \$41,550 from \$1,797,453 to \$1,839,003.

Using these 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 the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *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 most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

These two statements report the District's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 97-98 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 93. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 99-103 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 104 and 105. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 107-150 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 152-165 of this report.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Net Position	
	Governmental Activities 2018	Restated Governmental Activities 2017
<u>Assets</u>		
Current and other assets	\$ 17,735,433	\$ 15,838,484
Capital assets, net	<u>25,707,434</u>	<u>26,159,050</u>
Total assets	<u>43,442,867</u>	<u>41,997,534</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	395,085	616,498
Pension	4,221,503	3,500,211
OPEB	<u>145,847</u>	<u>25,038</u>
Total deferred outflows of resources	<u>4,762,435</u>	<u>4,141,747</u>
<u>Liabilities</u>		
Current liabilities	1,654,732	1,495,951
Long-term liabilities:		
Due within one year	1,002,800	940,349
Due in more than one year:		
Net pension liability	14,038,586	19,270,662
Net OPEB liability	3,086,028	3,855,913
Other amounts	<u>14,988,818</u>	<u>15,818,585</u>
Total liabilities	<u>34,770,964</u>	<u>41,381,460</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	4,846,666	4,527,852
Pension	610,416	167,903
OPEB	<u>359,698</u>	<u>-</u>
Total deferred inflows of resources	<u>5,816,780</u>	<u>4,695,755</u>
<u>Net Position</u>		
Net investment in capital assets	11,447,674	11,633,297
Restricted	2,536,661	2,045,046
Unrestricted (deficit)	<u>(6,366,777)</u>	<u>(13,616,277)</u>
Total net position	<u>\$ 7,617,558</u>	<u>\$ 62,066</u>

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$3,892,941 to \$62,066.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$7,617,558. Of this total, \$2,536,661 is restricted in use.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Assets of the District increased \$1,445,333 or 3.44%. This increase is due mainly to an increase in equity in pooled cash and cash equivalents and property taxes receivable. Equity in pooled cash and cash equivalents was helped by an increase in cash in the general fund due to good management of cash flows. Property taxes receivable increased due to increased assessed valuations throughout the County.

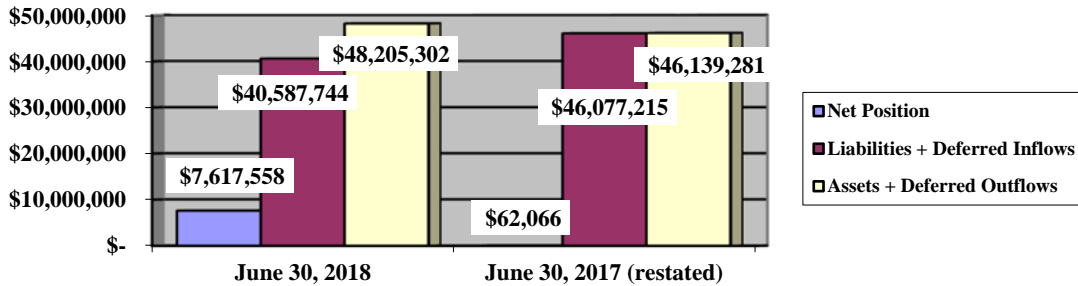
At year-end, capital assets represented 59.18% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Net investment in capital assets at June 30, 2018, was \$11,447,674. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Liabilities of the District decreased \$6,610,496 or 15.97%. This decrease was due largely to the decrease in net pension liability and net OPEB liability.

A portion of the District's net position, \$2,536,661, represents resources that are subject to external restriction on how they may be used. The largest portion of restricted net position is \$1,680,349 that is restricted for debt service. The remaining balance of unrestricted net position is (\$6,366,777). The increase in unrestricted net position is associated with the increase in general fund balance and the overall decrease in net pension liability and net OPEB liability.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018 and June 30, 2017. Amounts at June 30, 2017 have been restated as described in Note 3.A.

Governmental Activities



**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The table below shows the change in net position for fiscal year 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Change in Net Position	
	Governmental Activities <u>2018</u>	Restated Governmental Activities <u>2017</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,247,268	\$ 1,270,485
Operating grants and contributions	889,622	986,611
General revenues:		
Property taxes	5,479,637	5,570,011
Income taxes	3,419,235	3,274,233
Unrestricted grants and entitlements	6,175,353	5,813,416
Investment earnings	135,926	54,161
Other	<u>72,108</u>	<u>47,563</u>
 Total revenues	 <u>17,419,149</u>	 <u>17,016,480</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	2,858,462	6,655,348
Special	1,053,902	1,521,905
Vocational	54,650	97,063
Other	1,013,000	968,723
Support services:		
Pupil	586,977	768,511
Instructional staff	427,776	727,656
Board of education	21,133	27,793
Administration	408,801	903,270
Fiscal	282,132	411,457
Business	78,287	65,047
Operations and maintenance	1,085,843	1,339,444
Pupil transportation	712,313	940,408
Central	83,247	110,975
Operations of non-instructional services:		
Other non-instructional services	3,915	1,303
Food service operations	298,131	461,600
Extracurricular activities	309,884	573,777
Interest and fiscal charges	<u>585,204</u>	<u>662,028</u>
 Total expenses	 <u>9,863,657</u>	 <u>16,236,308</u>
Change in net position	7,555,492	780,172
Net position at beginning of year (restated)	<u>62,066</u>	<u>N/A</u>
Net position at end of year	<u>\$ 7,617,558</u>	<u>\$ 62,066</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Governmental Activities

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$25,038 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$499,723. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 9,863,657
Negative OPEB expense under GASB 75	499,723
2018 contractually required contributions	<u>31,273</u>
Adjusted 2018 program expenses	10,394,653
Total 2017 program expenses under GASB 45	<u>16,236,308</u>
Decrease in program expenses not related to OPEB	<u>\$ (5,841,655)</u>

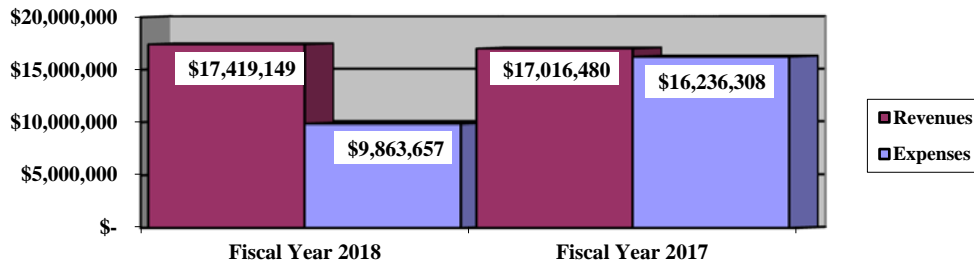
Net position of the District's governmental activities increased \$7,555,492. Total governmental expenses of \$9,863,657 were offset by program revenues of \$2,136,890 and general revenues of \$15,282,259. Program revenues supported 21.66% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These revenue sources represent 86.54% of total governmental revenue. Revenues of the District increased \$402,669 or 2.37%. This increase was the result of increases in income taxes and State foundation funding.

Expenses of the governmental activities decreased \$6,372,651 or 39.25%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$4,525,991) in pension expense and (\$499,723) in OPEB expense mainly due to these benefit changes.

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2018 and 2017.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. The total cost of services represents the total cost the District incurred to provide the service and the net cost of services represents the cost of the service after applying specific program revenues attributable to that service.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

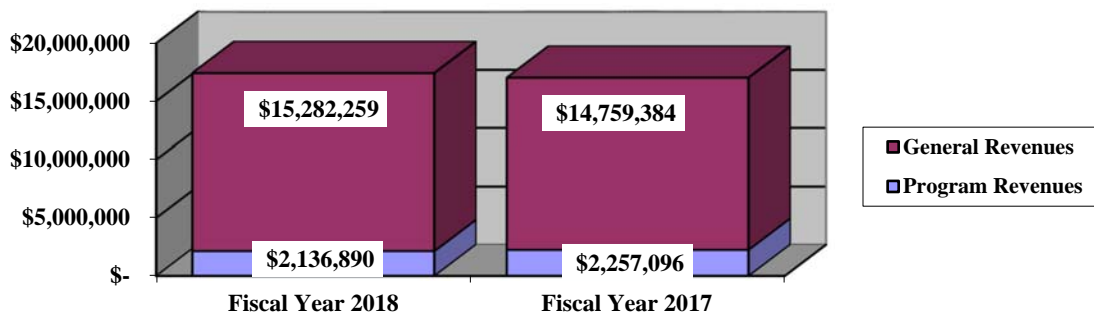
Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Program expenses				
Instruction:				
Regular	\$ 2,858,462	\$ 2,048,476	\$ 6,655,348	\$ 5,840,462
Special	1,053,902	416,535	1,521,905	755,937
Vocational	54,650	(6,480)	97,063	53,951
Other	1,013,000	1,013,000	968,723	968,723
Support services:				
Pupil	586,977	573,750	768,511	758,632
Instructional staff	427,776	407,901	727,656	721,281
Board of education	21,133	21,133	27,793	27,793
Administration	408,801	407,145	903,270	898,901
Fiscal	282,132	259,349	411,457	390,631
Business	78,287	78,287	65,047	64,957
Operations and maintenance	1,085,843	1,071,391	1,339,444	1,325,687
Pupil transportation	712,313	659,693	940,408	882,320
Central	83,247	83,247	110,975	110,975
Operations of non-instructional services:				
Other non-instructional services	3,915	2,932	1,303	731
Food service operations	298,131	(72,916)	461,600	95,668
Extracurricular activities	309,884	178,120	573,777	420,535
Interest and fiscal charges	<u>585,204</u>	<u>585,204</u>	<u>662,028</u>	<u>662,028</u>
Total expenses	<u>\$ 9,863,657</u>	<u>\$ 7,726,767</u>	<u>\$ 16,236,308</u>	<u>\$ 13,979,212</u>

The dependence upon tax and other general revenues for governmental activities is apparent, as 69.71% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.34%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2018 and 2017.

Governmental Activities - General and Program Revenues



**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The District's Funds

The District's governmental funds reported a combined fund balance of \$10,948,420 which is more than last year's total of \$9,474,228. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and June 30, 2017.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 8,320,019	\$ 6,943,979	\$ 1,376,040	19.82 %
Bond Retirement	1,839,003	1,797,453	41,550	2.31 %
Other Governmental	<u>789,398</u>	<u>732,796</u>	<u>56,602</u>	7.72 %
Total	<u>\$ 10,948,420</u>	<u>\$ 9,474,228</u>	<u>\$ 1,474,192</u>	15.56 %

General Fund

The District's general fund balance increased \$1,376,040.

Revenues of the general fund increased \$403,742 or 2.76%. This increase can be attributed to an increase in State foundation payments.

Expenditures of the general fund increased \$575,247 or 4.40%. The most significant increase was in the area of instruction services and support services. These increases resulted from salary and benefit increases to District staff as well as the purchase of buses.

The table that follows assists in illustrating the financial activities of the general fund.

	2018 <u>Amount</u>	2017 <u>Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 7,604,962	\$ 7,605,159	\$ (197)	(0.00) %
Tuition	739,358	788,735	(49,377)	(6.26) %
Earnings on investments	135,926	54,161	81,765	150.97 %
Intergovernmental	6,351,110	6,000,600	350,510	5.84 %
Other revenues	<u>191,012</u>	<u>169,971</u>	<u>21,041</u>	12.38 %
Total	<u>\$ 15,022,368</u>	<u>\$ 14,618,626</u>	<u>\$ 403,742</u>	2.76 %
<u>Expenditures</u>				
Instruction	\$ 8,295,142	\$ 8,132,131	\$ 163,011	2.00 %
Support services	5,041,104	4,515,959	525,145	11.63 %
Non-instructional services	1,915	1,303	612	46.97 %
Extracurricular activities	313,464	311,441	2,023	0.65 %
Facilities acquisition and construction	<u>1,902</u>	<u>117,446</u>	<u>(115,544)</u>	(98.38) %
Total	<u>\$ 13,653,527</u>	<u>\$ 13,078,280</u>	<u>\$ 575,247</u>	4.40 %

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Bond Retirement Fund

The bond retirement fund had \$10,052,103 in revenues and other financing sources and \$10,010,553 in expenditures and other uses. During fiscal year 2018, the bond retirement fund's fund balance increased \$41,550 from \$1,797,453 to \$1,839,003. The increase in fund balance is the result of property tax collections exceeding schedule principal and interest payments on general obligation bonds during the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$14,585,865. Final budgeted revenues and other financing sources for fiscal year 2018 was \$15,108,177. This represents a \$522,312 increase from original budgeted revenues. Actual revenues and other financing sources were \$15,104,352.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$14,837,865, which were decreased to \$14,390,830 in the final appropriations. The actual budget basis expenditures for fiscal year 2018 totaled \$13,933,929, which was \$456,901 less than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$25,707,434 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2018 balances compared to June 30, 2017:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2018	2017
Land	\$ 303,182	\$ 303,182
Construction in progress	-	65,000
Land improvements	886,580	813,554
Building and improvements	23,173,933	23,764,299
Furniture, fixtures and equipment	419,238	490,310
Vehicles	924,501	722,705
Total	\$ 25,707,434	\$ 26,159,050

The overall decrease in capital assets of \$451,616 is due to depreciation of \$923,279 and disposals (net of accumulated depreciation) of \$5,761 exceeding current year additions of \$477,424. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2018, the District had \$13,723,274 in general obligation bonds payable. Of this total, \$818,274 is due within one year and \$12,905,000 is due in more than one year.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
2007 school improvement refunding bonds	\$ -	\$ 9,094,793
2009 school improvement bonds	168,274	314,639
2016A school improvement refunding bonds	5,310,000	5,325,000
2018 refunding bonds	<u>8,245,000</u>	<u>-</u>
Total	<u>\$ 13,723,274</u>	<u>\$ 14,734,432</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mrs. Lisa Fahnce, Treasurer, Miami East Local School District, 3825 N. State Route 589, Casstown, Ohio 45312.

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 10,748,275
Receivables:	
Property taxes	5,615,608
Income taxes.	1,173,206
Accounts.	18,767
Accrued interest	4,747
Intergovernmental	118,430
Prepayments	9,944
Materials and supplies inventory.	42,357
Inventory held for resale.	4,099
Capital assets:	
Nondepreciable capital assets	303,182
Depreciable capital assets, net.	25,404,252
Capital assets, net.	25,707,434
Total assets.	43,442,867
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	395,085
Pension	4,221,503
OPEB	145,847
Total deferred outflows of resources	4,762,435
 Liabilities:	
Accounts payable.	117,445
Contracts payable.	61,450
Accrued wages and benefits payable	1,136,858
Intergovernmental payable	105,889
Pension and postemployment benefits payable	181,045
Accrued interest payable	41,087
Unearned revenue	10,958
Long-term liabilities:	
Due within one year.	1,002,800
Due in more than one year:	
Net pension liability	14,038,586
Net OPEB liability	3,086,028
Other amounts due in more than one year	14,988,818
Total liabilities	34,770,964
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,846,666
Pension	610,416
OPEB	359,698
Total deferred inflows of resources	5,816,780
 Net position:	
Net investment in capital assets	11,447,674
Restricted for:	
Capital projects	690,829
Classroom facilities maintenance	83,019
Debt service.	1,680,349
Federally funded programs	5,185
Student activities	23,993
Other purposes	53,286
Unrestricted (deficit)	(6,366,777)
Total net position.	\$ 7,617,558

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 2,858,462	\$ 784,978	\$ 25,008	\$ (2,048,476)
Special	1,053,902	38,644	598,723	(416,535)
Vocational	54,650	-	61,130	6,480
Other	1,013,000	-	-	(1,013,000)
Support services:				
Pupil	586,977	13,227	-	(573,750)
Instructional staff	427,776	4,475	15,400	(407,901)
Board of education	21,133	-	-	(21,133)
Administration	408,801	1,656	-	(407,145)
Fiscal	282,132	14,529	8,254	(259,349)
Business	78,287	-	-	(78,287)
Operations and maintenance	1,085,843	6,075	8,377	(1,071,391)
Pupil transportation	712,313	29,992	22,628	(659,693)
Central	83,247	-	-	(83,247)
Operation of non-instructional services:				
Other non-instructional services	3,915	983	-	(2,932)
Food service operations	298,131	238,494	132,553	72,916
Extracurricular activities	309,884	114,215	17,549	(178,120)
Interest and fiscal charges	585,204	-	-	(585,204)
Total governmental activities	\$ 9,863,657	\$ 1,247,268	\$ 889,622	(7,726,767)
General revenues:				
Property taxes levied for:				
General purposes				4,194,762
Facilities maintenance				80,096
Debt service				1,075,992
Capital outlay				128,787
Income taxes levied for:				
General purposes				3,419,235
Grants and entitlements not restricted to specific programs				
Investment earnings				6,175,353
Miscellaneous				135,926
				72,108
Total general revenues				15,282,259
Change in net position				7,555,492
Net position at beginning of year (restated)				62,066
Net position at end of year				\$ 7,617,558

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 8,202,635	\$ 1,684,634	\$ 861,006	\$ 10,748,275
Receivables:				
Property taxes.	4,284,406	1,118,112	213,090	5,615,608
Income taxes	1,173,206	-	-	1,173,206
Accounts	16,001	-	2,766	18,767
Accrued interest	4,747	-	-	4,747
Intergovernmental.	52,257	-	66,173	118,430
Prepayments.	9,742	-	202	9,944
Materials and supplies inventory.	41,696	-	661	42,357
Inventory held for resale.	-	-	4,099	4,099
Due from other funds	47,794	-	-	47,794
Total assets	<u>\$ 13,832,484</u>	<u>\$ 2,802,746</u>	<u>\$ 1,147,997</u>	<u>\$ 17,783,227</u>
Liabilities:				
Accounts payable	\$ 100,325	\$ -	\$ 17,120	\$ 117,445
Contracts payable.	-	-	61,450	61,450
Accrued wages and benefits payable	1,111,952	-	24,906	1,136,858
Intergovernmental payable	105,600	-	289	105,889
Pension and postemployment benefits payable	176,501	-	4,544	181,045
Due to other funds	-	-	47,794	47,794
Unearned revenue.	-	-	10,958	10,958
Total liabilities.	<u>1,494,378</u>	<u>-</u>	<u>167,061</u>	<u>1,661,439</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	3,703,854	959,510	183,302	4,846,666
Delinquent property tax revenue not available.	19,103	4,233	954	24,290
Income tax revenue not available	257,143	-	-	257,143
Intergovernmental revenue not available.	24,002	-	5,185	29,187
Miscellaneous revenue not available.	13,985	-	2,097	16,082
Total deferred inflows of resources	<u>4,018,087</u>	<u>963,743</u>	<u>191,538</u>	<u>5,173,368</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	41,696	-	661	42,357
Prepayments	9,742	-	202	9,944
Unclaimed monies	1,634	-	-	1,634
Restricted:				
Debt service	-	1,839,003	-	1,839,003
Capital improvements	-	-	628,791	628,791
Classroom facilities maintenance	-	-	82,653	82,653
Food service operations	-	-	54,825	54,825
Special education	-	-	1	1
Other purposes.	-	-	5,326	5,326
Extracurricular activities	-	-	22,038	22,038
Assigned:				
Student instruction	20,318	-	-	20,318
Student and staff support.	372,700	-	-	372,700
Extracurricular activities	2,663	-	-	2,663
Facilities acquisition and construction	15,002	-	-	15,002
Subsequent year's appropriations	279,952	-	-	279,952
Other purposes.	1,000	-	-	1,000
Unassigned (deficit).	7,575,312	-	(5,099)	7,570,213
Total fund balances	<u>8,320,019</u>	<u>1,839,003</u>	<u>789,398</u>	<u>10,948,420</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 13,832,484</u>	<u>\$ 2,802,746</u>	<u>\$ 1,147,997</u>	<u>\$ 17,783,227</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total governmental fund balances		\$	10,948,420
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			25,707,434
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	24,290	
Income taxes receivable		257,143	
Accounts receivable		16,082	
Intergovernmental receivable		29,187	
Total			326,702
Unamortized premiums on bonds issued are not recognized in the funds.			(1,114,821)
Unamortized amounts on refundings are not recognized in the funds.			395,085
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(41,087)
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 of resources - pension		4,221,503	
Deferred inflows of resources - pension		(610,416)	
Net pension liability		(14,038,586)	
Total			(10,427,499)
The net OPEB 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 of resources - OPEB		145,847	
Deferred inflows of resources - OPEB		(359,698)	
Net OPEB liability		(3,086,028)	
Total			(3,299,879)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(13,723,274)	
Compensated absences		(1,153,523)	
Total			(14,876,797)
Net position of governmental activities		\$	<u>7,617,558</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 4,208,531	\$ 1,079,107	\$ 209,490	\$ 5,497,128
Income taxes	3,396,431	-	-	3,396,431
Tuition	739,358	-	-	739,358
Transportation fees	26,340	-	-	26,340
Earnings on investments	135,926	-	1,126	137,052
Charges for services	-	-	252,881	252,881
Extracurricular	31,473	-	113,907	145,380
Classroom materials and fees	76,232	-	-	76,232
Rental income	5,999	-	-	5,999
Contributions and donations	17,214	-	11,591	28,805
Other local revenues	33,754	-	4,021	37,775
Intergovernmental - state	6,351,110	160,052	45,564	6,556,726
Intergovernmental - federal	-	-	546,518	546,518
Total revenues	<u>15,022,368</u>	<u>1,239,159</u>	<u>1,185,098</u>	<u>17,446,625</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,058,540	-	24,944	6,083,484
Special	1,144,475	-	376,603	1,521,078
Vocational	79,026	-	-	79,026
Other	1,013,101	-	-	1,013,101
Support services:				
Pupil	745,695	-	3,188	748,883
Instructional staff	561,068	-	15,400	576,468
Board of education	29,059	-	-	29,059
Administration	833,669	-	-	833,669
Fiscal	370,662	18,032	25,898	414,592
Business	74,425	-	-	74,425
Operations and maintenance	1,208,501	-	75,747	1,284,248
Pupil transportation	1,159,999	-	121	1,160,120
Central	58,026	-	-	58,026
Operation of non-instructional services:				
Other non-instructional services	1,915	-	2,000	3,915
Food service operations	-	-	366,896	366,896
Extracurricular activities	313,464	-	116,107	429,571
Facilities acquisition and construction	1,902	-	121,592	123,494
Debt service:				
Principal retirement	-	227,174	-	227,174
Interest and fiscal charges	-	448,160	-	448,160
Bond issuance costs	-	103,141	-	103,141
Accretion on capital appreciation bonds	-	507,826	-	507,826
Total expenditures	<u>13,653,527</u>	<u>1,304,333</u>	<u>1,128,496</u>	<u>16,086,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,368,841</u>	<u>(65,174)</u>	<u>56,602</u>	<u>1,360,269</u>
Other financing sources:				
Premium on bonds and notes sold	-	567,944	-	567,944
Sale of refunding bonds	-	8,245,000	-	8,245,000
Sale of capital assets	7,199	-	-	7,199
Payment to refunded bond escrow agent	-	(8,706,220)	-	(8,706,220)
Total other financing sources	<u>7,199</u>	<u>106,724</u>	<u>-</u>	<u>113,923</u>
Net change in fund balances	1,376,040	41,550	56,602	1,474,192
Fund balances at beginning of year	<u>6,943,979</u>	<u>1,797,453</u>	<u>732,796</u>	<u>9,474,228</u>
Fund balances at end of year	<u>\$ 8,320,019</u>	<u>\$ 1,839,003</u>	<u>\$ 789,398</u>	<u>\$ 10,948,420</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

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, 2018

Net change in fund balances - total governmental funds	\$	1,474,192
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 477,424	
Current year depreciation	(923,279)	
Total		(445,855)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(5,761)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(17,491)	
Income taxes	22,804	
Other local revenue	24,173	
Intergovernmental	(56,962)	
Total		(27,476)
Repayment of bond and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	227,174	
Payment of accretion	507,826	
Total		735,000
Issuance of bonds and premiums are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
Bonds	(8,245,000)	
Premiums	(567,944)	
Total		(8,812,944)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	8,585,000	
Removal of premiums associated with refunded bonds	322,322	
Removal of deferred charges associated with refunded bonds	(202,683)	
Deferred charges on refundings	1,581	
Total		8,706,220
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Change in accrued interest payable	5,846	
Accreted interest on capital appreciation bonds	(63,842)	
Amortization of bond premiums	44,404	
Amortization of deferred charges	(20,311)	
Total		(33,903)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		984,864
OPEB		31,273
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/net OPEB liability are reported as pension expense/OPEB expense statement of activities.		
Pension		4,525,991
OPEB		499,723
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(75,832)
Change in net position of governmental activities	\$	7,555,492

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,125,144	\$ 4,322,212	\$ 4,322,212	\$ -
Income taxes	3,340,338	3,394,624	3,394,624	-
Tuition	796,298	739,357	739,357	-
Transportation fees	2,221	26,286	26,286	-
Earnings on investments	53,684	134,474	134,474	-
Extracurricular	1,441	1,271	1,271	-
Classroom materials and fees	41,266	40,109	40,109	-
Rental income	5,290	5,859	5,859	-
Contributions and donations	681	1,664	1,664	-
Other local revenues	20,063	20,386	20,386	-
Intergovernmental - state	6,066,805	6,354,331	6,354,331	-
Total revenues	<u>14,453,231</u>	<u>15,040,573</u>	<u>15,040,573</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,618,462	6,417,641	6,059,646	357,995
Special	1,270,575	1,232,023	1,096,059	135,964
Vocational	84,595	82,028	79,101	2,927
Other	1,080,740	1,047,948	1,015,401	32,547
Support services:				
Pupil	712,568	690,947	730,594	(39,647)
Instructional staff	705,108	683,713	644,720	38,993
Board of education	30,429	29,506	27,918	1,588
Administration	905,434	880,616	825,613	55,003
Fiscal	390,048	378,213	376,259	1,954
Business	67,151	65,113	77,899	(12,786)
Operations and maintenance	1,213,721	1,176,894	1,275,740	(98,846)
Pupil transportation	1,318,856	1,278,849	1,332,816	(53,967)
Central	58,225	56,458	57,721	(1,263)
Other operation of non-instructional services	1,031	1,000	1,000	-
Extracurricular activities	357,447	346,601	314,042	32,559
Facilities acquisition and construction	6,439	6,244	19,400	(13,156)
Total expenditures	<u>14,820,829</u>	<u>14,373,794</u>	<u>13,933,929</u>	<u>439,865</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(367,598)</u>	<u>666,779</u>	<u>1,106,644</u>	<u>439,865</u>
Other financing sources (uses):				
Refund of prior year's expenditures	24,569	41,580	41,580	-
Refund of prior year's receipts	(2,036)	(2,036)	-	2,036
Transfers in	3,193	3,825	-	(3,825)
Advances in	104,819	15,000	15,000	-
Advances (out)	(15,000)	(15,000)	-	15,000
Sale of capital assets	53	7,199	7,199	-
Total other financing sources (uses)	<u>115,598</u>	<u>50,568</u>	<u>63,779</u>	<u>13,211</u>
Net change in fund balance	(252,000)	717,347	1,170,423	453,076
Fund balance at beginning of year	6,015,299	6,015,299	6,015,299	-
Prior year encumbrances appropriated	559,312	559,312	559,312	-
Fund balance at end of year	\$ 6,322,611	\$ 7,291,958	\$ 7,745,034	\$ 453,076

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 11,345	\$ 128,848
Receivables:		
Accounts	-	2,382
Total assets.	11,345	\$ 131,230
Liabilities:		
Accounts payable.	-	\$ 4,281
Due to students.	-	112,447
Undistributed monies	-	14,502
Total liabilities	-	\$ 131,230
Net position:		
Held in trust for scholarships	11,345	
Total net position.	\$ 11,345	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 133
Total additions	133
 Change in net position	 133
Net position at beginning of year	11,212
Net position at end of year	\$ 11,345

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF THE DISTRICT

Miami East Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and federal guidelines.

The District was established in 1956 through the consolidation of existing land areas and Districts. The District serves an area of approximately 118 square miles. It is located in Miami County, and includes all of the Villages of Casstown and Fletcher; Brown, Elizabeth, Lostcreek and Staunton Townships; and portions of Springcreek and Bethel Townships.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District participates in two jointly governed organizations, two insurance purchasing pools and one public entity shared risk pool. These organizations are discussed in Note 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association (META) Solutions
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pools:

Ohio School Comp Workers' Compensation Group Rating Program
Ohio School Plan

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District typically 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 plus deferred outflows of resources and liabilities plus 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 operating fund of the District and is used to account for and report all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund accounts for and reports the accumulation of restricted property taxes received and the payment of general obligation bond principal and interest.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specific purposes other than debt service or capital projects.

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 two trust funds are private purpose trusts which account for college scholarship programs for students. One of the District's two agency funds accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor. The other agency fund accounts for activity related to the Section 125 benefit plan for employees.

C. 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 for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type. The District; however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the District at fiscal 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, 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - During the fiscal 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 rather than reporting by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., 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 deferred outflows of resources, current liabilities and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust funds are reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

E. Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. 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 basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "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 60 days of fiscal year-end.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and 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 fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Notes 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

F. Cash and Cash Equivalents

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

During fiscal year 2018, the District invested in STAR Ohio (State Treasury Asset Reserve of Ohio). Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio Statute, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2018 amounted to \$135,926 which includes \$35,082 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash and cash equivalents.

G. Inventory

On government-wide and fund financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food held for resale.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

I. Capital Assets

The District's only capital assets are general capital assets. General capital assets are capital assets that are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of 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, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$750. 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 capitalized.

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:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	7 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	3 - 15 years
Vehicles	5 - 10 years

J. 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 governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Compensated Absences

Vacation, compensatory time, and personal leave 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. The District records a liability for unused personal leave and compensatory time for all employees who have a balance at the end of the fiscal year.

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 all employees after 10 years of current service with the District.

The entire compensated absences liability is reported on the government-wide financial statements.

L. Unamortized Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

On the government-wide financial statements bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as an addition to the face amount of bonds payable. Issuance costs are expensed in the year they occur.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued. Accretion on the capital appreciation bonds is not recorded.

M. Loss on Advance Refunding

On the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain/loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This amount is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. 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. The amount restricted for other purposes represents amounts restricted for food service operations.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

O. 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used 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 restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

P. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Q. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". Receivables and payables resulting from negative cash balances are classified as "due to/due from other funds". These amounts are eliminated in the governmental type activities columns of the statement of net position.

R. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The public school preschool fund (a nonmajor governmental fund) is administered by a fiscal agent and is not budgeted by the District. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the 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 budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. 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 fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that was 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 fiscal 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

S. 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 may differ from those estimates.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

T. Pensions/Other Postemployment Benefits (OPEB)

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2018, the District had neither type of occurrence.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 3,892,941
Deferred outflows - payments subsequent to measurement date	25,038
Net OPEB liability	(3,855,913)
Restated net position at July 1, 2017	\$ 62,066

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

B. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficit:

Nonmajor fund	Deficit
Title I	\$ 5,099

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**MIAMI EAST LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was \$1,482,052 and the bank balance of all District deposits was \$1,663,430. Of the bank balance, \$250,000 was covered by the FDIC and \$1,413,430 was covered by the Ohio Pooled Collateral System.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2018, the District's financial institutions were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2018, the District had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>Investment Maturities 6 months or less</u>
Amortized Cost: STAR Ohio	<u>\$ 9,406,416</u>	<u>\$ 9,406,416</u>

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement</u>	
Amortized Cost:	<u>Amount</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 9,406,416</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,482,052
Investments	<u>9,406,416</u>
Total	<u>\$ 10,888,468</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 10,748,275
Private purpose trust funds	11,345
Agency funds	<u>128,848</u>
Total	<u>\$ 10,888,468</u>

NOTE 5 - INTERFUND TRANSACTIONS

Due to/from other funds consisted of the following at June 30, 2018, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 47,794</u>

The primary purpose of the amount due to the general fund from the nonmajor governmental funds was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

NOTE 6 - PROPERTY TAXES

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Miami County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$561,449 in the general fund, \$154,369 in the bond retirement fund, \$17,781 in the permanent improvement fund (a nonmajor governmental fund) and \$11,053 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$675,130 in the general fund, \$171,373 in the bond retirement fund, \$21,398 in the permanent improvement fund (a nonmajor governmental fund) and \$13,303 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 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.

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

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

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 219,353,230	95.86	\$ 223,290,670	95.84
Public utility personal	<u>9,464,660</u>	<u>4.14</u>	<u>9,683,750</u>	<u>4.16</u>
Total	<u>\$ 228,817,890</u>	<u>100.00</u>	<u>\$ 232,974,420</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General	\$38.00		\$38.00	
Bond	5.10		5.50	
Permanent improvement	0.80		0.80	
Facilities maintenance	0.50		0.50	

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - INCOME TAX

In November 2011, the District voters approved the replacement of the 1.00% tax on all income of individuals. Income taxes are now levied at 1.75% on earned income of individuals residing in the District. Employers of the residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 5,615,608
Income taxes	1,173,206
Accounts	18,767
Accrued interest	4,747
Intergovernmental:	
Title VI-B	26,303
Title I	16,170
Title IV-A	10,000
Secondary transition	593
Miscellaneous reimbursements	<u>65,364</u>
Total	<u>\$ 6,930,758</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - CAPITAL ASSETS

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

	Balance			Balance
	<u>June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2018</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 303,182	\$ -	\$ -	\$ 303,182
Construction in progress	<u>65,000</u>	<u>12,920</u>	<u>(77,920)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>368,182</u>	<u>12,920</u>	<u>(77,920)</u>	<u>303,182</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,659,726	145,650	-	1,805,376
Buildings and improvements	29,277,290	9,074	-	29,286,364
Furniture, fixtures and equipment	2,245,570	41,988	(38,594)	2,248,964
Vehicles	<u>1,996,341</u>	<u>345,712</u>	<u>(469,265)</u>	<u>1,872,788</u>
Total capital assets, being depreciated	<u>35,178,927</u>	<u>542,424</u>	<u>(507,859)</u>	<u>35,213,492</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(846,172)	(72,624)	-	(918,796)
Buildings and improvements	(5,512,991)	(599,440)	-	(6,112,431)
Furniture, fixtures and equipment	(1,755,260)	(109,887)	35,421	(1,829,726)
Vehicles	<u>(1,273,636)</u>	<u>(141,328)</u>	<u>466,677</u>	<u>(948,287)</u>
Total accumulated depreciation	<u>(9,388,059)</u>	<u>(923,279)</u>	<u>502,098</u>	<u>(9,809,240)</u>
Governmental activities capital assets, net	<u>\$ 26,159,050</u>	<u>\$ (367,935)</u>	<u>\$ (83,681)</u>	<u>\$ 25,707,434</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 258,016
Special	36,524
Vocational	17,226
<u>Support services:</u>	
Pupil	62,275
Instructional staff	34,377
Board of education	1,483
Administration	51,142
Fiscal	4,626
Business	3,862
Operations and maintenance	96,583
Pupil transportation	144,350
Central	55,776
Food service operations	49,330
Extracurricular	<u>107,709</u>
Total depreciation expense	<u>\$ 923,279</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LONG-TERM OBLIGATIONS

During fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligation at June 30, 2017 has been restated as described in Note 3.A.

	Restated Balance Outstanding <u>06/30/17</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/18</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
2007 School Improvement Refunding Bonds					
4.00-4.25% - Serial Bonds \$3,450,000	\$ 2,565,000	\$ -	\$ (2,565,000)	\$ -	\$ -
4.25-4.50% - Term Bonds \$6,020,000	6,020,000	-	(6,020,000)	-	-
11.85-11.98% stated rate - Original Issue on Capital Appreciation Bonds \$744,998	158,651	-	(158,651)	-	-
Accretion on Capital Appreciation Bonds	351,142	30,207	(381,349)	-	-
Premium on Debt Issue	322,322	-	(322,322)	-	-
2009 School Improvement Bonds					
14.96-14.98% stated rate - Original Issue on Capital Appreciation Bonds \$99,997	99,997	-	(53,523)	46,474	46,474
Accretion on Capital Appreciation Bonds	214,642	33,635	(126,477)	121,800	121,800
2016A School Improvement Refunding Bonds					
2.00-4.00% Serial Bonds \$4,590,000	4,590,000	-	(15,000)	4,575,000	15,000
4.00% Term Bonds \$735,000	735,000	-	-	735,000	-
Premium on Debt Issue	591,281	-	(28,961)	562,320	-
2018 Refunding Bonds	-	8,245,000	-	8,245,000	635,000
Premium on Debt Issue	-	567,944	(15,443)	552,501	-
Net pension liability	19,270,662	-	(5,232,076)	14,038,586	-
Net OPEB liability	3,855,913	-	(769,885)	3,086,028	-
Compensated absences	1,110,899	255,215	(212,591)	1,153,523	184,526
Total long-term obligations, governmental activities	<u>\$ 39,885,509</u>	<u>\$ 9,132,001</u>	<u>\$ (15,901,278)</u>	<u>\$ 33,116,232</u>	<u>\$ 1,002,800</u>

The 2007 School Improvement Refunding Bonds were issued March 29, 2007, for the purpose of advance refunding the \$8,215,000 outstanding School Improvement Bonds. The net proceeds of the 2007 bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. A portion of the proceeds were used to pay off a \$2,000,000 note.

During fiscal year 2018, \$8,585,000 of the bonds were refunded by the Series 2018 refunding bonds. At June 30, 2018 there were no further obligations.

The 2009 School Improvement Bonds were issued April 29, 2009, for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, and site improvements. During fiscal year 2016, \$5,355,000 of the 2009 School Improvement Bonds were refunded by the Series 2016A School Improvement Refunding Bonds.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The 2009 capital appreciation bonds issued at \$99,997 are not subject to prior redemption. The remaining capital appreciation bonds will mature in fiscal year 2019, with a maturity amount of \$180,000. For fiscal year 2018, the capital appreciation bonds were accreted \$121,800.

During fiscal year 2016, the District issued \$5,325,000 in Series 2016A School Improvement Refunding Bonds to refund \$5,355,000 of the 2009 School Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2018 was \$5,355,000.

The issue is comprised of current interest bonds, par value \$5,325,000. The interest rates on the current interest bonds range from 2.00% - 4.00%.

The reacquisition price exceeded the net carrying amount of the old debt by \$434,083. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2027. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,078,633 and resulted in an economic gain of \$779,846.

During fiscal year 2018, the District issued \$8,245,000 in general obligation bonds to refund \$8,585,000 of the Series 2007 School Improvement Refunding Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2018 was \$8,585,000.

The issue is comprised of current interest bonds par value \$8,245,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,581. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2029. This advance refunding was undertaken to reduce the combined total debt service payments by \$837,948 and resulted in an economic gain of \$708,281.

The detail on the net pension liability and net OPEB liability can be found in Notes 12 and 13, respectively. The general fund typically is used to liquidate the net pension and net OPEB liabilities.

Compensated absences will be paid from the general fund and food service fund (a nonmajor governmental fund). The bonds will be paid from the bond retirement fund.

The following table provides a summary of the District's future obligation for the general obligation bonds:

Fiscal Year Ending June 30,	<u>2009 School Improvement Bonds</u>		
	<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 46,474</u>	<u>\$ 133,526</u>	<u>\$ 180,000</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	<u>2016A School Improvement Refunding Bonds</u>		
	<u>Serial and Term Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 15,000	\$ 193,040	\$ 208,040
2020	195,000	189,965	384,965
2021	205,000	183,965	388,965
2022	210,000	177,740	387,740
2023	220,000	171,290	391,290
2024 - 2028	1,200,000	747,100	1,947,100
2029 - 2033	1,480,000	491,950	1,971,950
2034 - 2038	<u>1,785,000</u>	<u>167,655</u>	<u>1,952,655</u>
Total	<u>\$ 5,310,000</u>	<u>\$ 2,322,705</u>	<u>\$ 7,632,705</u>

Fiscal Year Ending June 30,	<u>2018 Refunding Bonds</u>		
	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 635,000	\$ 293,500	\$ 928,500
2020	570,000	281,450	851,450
2021	585,000	266,975	851,975
2022	610,000	246,000	856,000
2023	635,000	221,100	856,100
2024 - 2028	3,635,000	691,100	4,326,100
2029 - 2030	<u>1,575,000</u>	<u>61,700</u>	<u>1,636,700</u>
Total	<u>\$ 8,245,000</u>	<u>\$ 2,061,825</u>	<u>\$ 10,306,825</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% 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% 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 effects of these debt limitations at June 30, 2018 are a voted debt margin of \$9,205,227, including available funds of \$1,839,003, and an unvoted debt margin of \$232,974.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 - 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. The District, along with other Districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual District enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the Hylant Administrative Services, LLC (See Note 18). The District contracts for property, fleet, inland marine coverage, crime insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with the OSP.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant decrease in insurance coverage from the last fiscal year.

Workers' Compensation

For fiscal year 2018, the District participated in the Ohio School Comp Workers' Compensation Group Rating Program, an insurance purchasing pool (Note 18). The intent of the Program is designed to reward participants that are able to keep their claim costs below a predetermined amount. Districts committed to improving workplace safety and accident prevention in order to reduce the frequency and severity of accidents involving their employees, should investigate this program further as an additional savings tool. The firm of Comp Management, a Sedgwick Company, provides administrative, cost control, and actuarial services to the Program.

Medical Benefits

For fiscal year 2018, the District participated in the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 93 Districts (Note 18). The District pays monthly premiums to the Trust for employee medical, dental, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 12 - 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$187,989 for fiscal year 2018. Of this amount, \$13,972 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, 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 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$796,875 for fiscal year 2018. Of this amount, \$138,940 is reported as pension and postemployment benefits payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.04511140%	0.04770686%	
Proportion of the net pension liability current measurement date	<u>0.04469660%</u>	<u>0.04785502%</u>	
Change in proportionate share	<u>-0.00041480%</u>	<u>0.00014816%</u>	
Proportionate share of the net pension liability	\$ 2,670,523	\$ 11,368,063	\$ 14,038,586
Pension expense	\$ (95,095)	\$ (4,430,896)	\$ (4,525,991)

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 114,927	\$ 438,981	\$ 553,908
Changes of assumptions	138,094	2,486,320	2,624,414
Difference between District contributions and proportionate share of contributions/ change in proportionate share	36,677	21,640	58,317
District contributions subsequent to the measurement date	<u>187,989</u>	<u>796,875</u>	<u>984,864</u>
Total deferred outflows of resources	<u>\$ 477,687</u>	<u>\$ 3,743,816</u>	<u>\$ 4,221,503</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 91,622	\$ 91,622
Net difference between projected and actual earnings on pension plan investments	12,677	375,159	387,836
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>30,342</u>	<u>100,616</u>	<u>130,958</u>
Total deferred inflows of resources	<u>\$ 43,019</u>	<u>\$ 567,397</u>	<u>\$ 610,416</u>

\$984,864 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 108,128	\$ 470,178	\$ 578,306
2020	166,020	980,523	1,146,543
2021	34,787	724,837	759,624
2022	<u>(62,256)</u>	<u>204,006</u>	<u>141,750</u>
Total	<u>\$ 246,679</u>	<u>\$ 2,379,544</u>	<u>\$ 2,626,223</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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	<u>100.00 %</u>	

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,705,992	\$ 2,670,523	\$ 1,803,107

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
	District's proportionate share of the net pension liability	\$ 16,295,731	\$ 11,368,063

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

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

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

Plan Description - School Employees Retirement System (SERS)

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 2018, the District's surcharge obligation was \$24,310.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$31,273 for fiscal year 2018. Of this amount, \$24,827 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.04576734%	0.04770686%	
Proportion of the net OPEB liability current measurement date	<u>0.04541810%</u>	<u>0.04785502%</u>	
Change in proportionate share	<u>-0.00034924%</u>	<u>0.00014816%</u>	
Proportionate share of the net OPEB liability	\$ 1,218,902	\$ 1,867,126	\$ 3,086,028
OPEB expense	\$ 68,891	\$ (568,614)	\$ (499,723)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 107,782	\$ 107,782
Difference between District contributions and proportionate share of contributions/ change in proportionate share	-	6,792	6,792
District contributions subsequent to the measurement date	<u>31,273</u>	<u>-</u>	<u>31,273</u>
Total deferred outflows of resources	<u>\$ 31,273</u>	<u>\$ 114,574</u>	<u>\$ 145,847</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 3,219	\$ 79,806	\$ 83,025
Changes of assumptions	115,667	150,403	266,070
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>10,603</u>	<u>-</u>	<u>10,603</u>
Total deferred inflows of resources	<u>\$ 129,489</u>	<u>\$ 230,209</u>	<u>\$ 359,698</u>

\$31,273 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ (46,555)	\$ (25,922)	\$ (72,477)
2020	(46,555)	(25,922)	(72,477)
2021	(35,575)	(25,922)	(61,497)
2022	(804)	(25,922)	(26,726)
2023	-	(5,973)	(5,973)
Thereafter	<u>-</u>	<u>(5,974)</u>	<u>(5,974)</u>
Total	<u>\$ (129,489)</u>	<u>\$ (115,635)</u>	<u>\$ (245,124)</u>

Actuarial Assumptions - SERS

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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	<u>100.00 %</u>	

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 1,471,980	\$ 1,218,902	\$ 1,018,400

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 989,048	\$ 1,218,902	\$ 1,523,119

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
District's proportionate share of the net OPEB liability	\$ 2,506,587	\$ 1,867,126	\$ 1,361,743

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,297,199	\$ 1,867,126	\$ 2,617,217

NOTE 14 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation, personal leave, sick leave, and compensatory time components are derived from negotiated agreements and State laws. Classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation or compensatory time. Personal leave is accrued at three days per fiscal year for all employees under contract for a full school year. Unused personal leave accumulates to a maximum of five days. Unused personal leave accumulation over five days may be converted to sick leave, cashed out, or donated to a sick leave bank. Accumulated, unused personal time is not paid upon termination of employment. Employees may be granted compensatory time for hours worked outside their regular business day. Unused compensatory time accumulates to a maximum of 240 hours and any accumulated, unused balance is paid out upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 324 days for all certified employees and 300 days for all classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, not to exceed 314 days for certified employees and 290 days for classified employees.

Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to all employees through the Sun Life Assurance Company of Canada. Medical/surgical benefits are provided by Anthem through the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) (Note 18). The District also provides dental insurance through Delta Dental and vision insurance through Vision Insurance Plan to all eligible employees.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 14 - OTHER EMPLOYEE BENEFITS - (Continued)

Deferred Compensation Plan

District employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

125 Plan

The District provides its full-time employees, except those employed on an as needed basis, an option to participate in an I.R.C. Section 125 plan. Money allocated to this plan must be used for expenses covered by that benefit during that benefit year. Any monies not used by the end of the plan year are forfeited to the District. Employees may elect to have plan benefit dollars applied to a health care reimbursement plan, a dependent care assistance plan, or an insurance premium payment plan. Participation is renewed annually with each benefit year beginning October 1 and ending September 30. This plan has been included as an Agency Fund and is administered by Horace Mann.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,170,423
Net adjustment for revenue accruals	(113,591)
Net adjustment for expenditure accruals	(83,010)
Net adjustment for other sources/uses	(56,580)
Funds budgeted elsewhere	6,933
Adjustment for encumbrances	<u>451,865</u>
GAAP basis	<u><u>\$ 1,376,040</u></u>

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 fund, public school support fund and unclaimed monies fund.

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

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. .

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	242,352
Current year offsets	<u>(254,928)</u>
Total	<u>\$ (12,576)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u><u>\$ -</u></u>

The District had current year offsets that reduced the capital improvements set-aside amount to zero.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL

Jointly Governed Organizations

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2018, the District paid META Solutions \$66,293 for services. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL - (Continued)

Southwestern Ohio Educational Purchasing Council:

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts and educational service centers in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2018, the District did not make any payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Insurance Purchasing Pools

Ohio School Comp Workers' Compensation Group Rating Program:

The District participates in the Ohio School Comp Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool provided by Ohio School Board Association (OSBA). The GRP's business and affairs are conducted by a Board of Trustees consisting of a President and regional representatives. OSBA's executive director and regional managers serve on the board in an ex officio capacity. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program. CompManagement, a Sedgwick Company, administers the GRP.

Ohio School Plan:

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust:

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical/surgical, dental, vision, life, and accidental death and dismemberment insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 411,683
Other governmental	<u>145,154</u>
Total	<u>\$ 556,837</u>

REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04469660%	0.04511140%	0.04375300%	0.04453500%	0.04453500%
District's proportionate share of the net pension liability	\$ 2,670,523	\$ 3,301,738	\$ 2,496,589	\$ 2,253,891	\$ 2,648,354
District's covered payroll	\$ 1,485,171	\$ 1,404,507	\$ 1,317,193	\$ 1,294,098	\$ 1,304,783
District's proportionate share of the net pension liability as a percentage of its covered payroll	179.81%	235.08%	189.54%	174.17%	202.97%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04785502%	0.04770686%	0.04784818%	0.04857817%	0.04857817%
District's proportionate share of the net pension liability	\$ 11,368,063	\$ 15,968,924	\$ 13,223,837	\$ 11,815,892	\$ 14,075,013
District's covered payroll	\$ 5,185,214	\$ 5,060,821	\$ 5,053,914	\$ 4,963,354	\$ 4,912,854
District's proportionate share of the net pension liability as a percentage of its covered payroll	219.24%	315.54%	261.66%	238.06%	286.49%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 187,989	\$ 207,924	\$ 196,631	\$ 173,606
Contributions in relation to the contractually required contribution	<u>(187,989)</u>	<u>(207,924)</u>	<u>(196,631)</u>	<u>(173,606)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,392,511	\$ 1,485,171	\$ 1,404,507	\$ 1,317,193
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 179,362	\$ 180,582	\$ 174,885	\$ 167,429	\$ 239,753	\$ 139,207
<u>(179,362)</u>	<u>(180,582)</u>	<u>(174,885)</u>	<u>(167,429)</u>	<u>(239,753)</u>	<u>(139,207)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,294,098	\$ 1,304,783	\$ 1,300,260	\$ 1,331,973	\$ 1,770,702	\$ 1,414,705
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 796,875	\$ 725,930	\$ 708,515	\$ 707,548
Contributions in relation to the contractually required contribution	<u>(796,875)</u>	<u>(725,930)</u>	<u>(708,515)</u>	<u>(707,548)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,691,964	\$ 5,185,214	\$ 5,060,821	\$ 5,053,914
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 645,236	\$ 638,671	\$ 642,141	\$ 685,169	\$ 667,169	\$ 644,726
<u>(645,236)</u>	<u>(638,671)</u>	<u>(642,141)</u>	<u>(685,169)</u>	<u>(667,169)</u>	<u>(644,726)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,963,354	\$ 4,912,854	\$ 4,939,546	\$ 5,270,531	\$ 5,132,069	\$ 4,959,431
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.04541810%	0.04576734%
District's proportionate share of the net OPEB liability	\$ 1,218,902	\$ 1,304,538
District's covered payroll	\$ 1,485,171	\$ 1,404,507
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.07%	92.88%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.04785502%	0.04770686%
District's proportionate share of the net OPEB liability	\$ 1,867,126	\$ 2,551,375
District's covered payroll	\$ 5,185,214	\$ 5,060,821
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.01%	50.41%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 31,273	\$ 25,038	\$ 23,381	\$ 33,793
Contributions in relation to the contractually required contribution	<u>(31,273)</u>	<u>(25,038)</u>	<u>(23,381)</u>	<u>(33,793)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,392,511	\$ 1,485,171	\$ 1,404,507	\$ 1,317,193
Contributions as a percentage of covered payroll	2.25%	1.69%	1.66%	2.57%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 24,377	\$ 21,515	\$ 34,405	\$ 46,301	\$ 35,219	\$ 85,997
<u>(24,377)</u>	<u>(21,515)</u>	<u>(34,405)</u>	<u>(46,301)</u>	<u>(35,219)</u>	<u>(85,997)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,294,098	\$ 1,304,783	\$ 1,300,260	\$ 1,331,973	\$ 1,770,702	\$ 1,414,705
1.88%	1.65%	2.65%	3.48%	1.99%	6.08%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,691,964	\$ 5,185,214	\$ 5,060,821	\$ 5,053,914
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 51,415	\$ 49,219	\$ 49,295	\$ 52,705	\$ 51,321	\$ 49,594
<u>(51,415)</u>	<u>(49,219)</u>	<u>(49,295)</u>	<u>(52,705)</u>	<u>(51,321)</u>	<u>(49,594)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,963,354	\$ 4,912,854	\$ 4,939,546	\$ 5,270,531	\$ 5,132,069	\$ 4,959,431
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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OHIO AUDITOR OF STATE KEITH FABER



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130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

Miami East Local School District
Miami County
3825 North State Route 589
Casstown, Ohio 45312

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Miami East Local School District, Miami County, (the District) as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 3, 2020, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions*. We also noted the financial impact of COVID-19 and the ensuing emergency measures impact on subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

June 3, 2020



Dr. Todd Rappold
Superintendent
Lisa Fahncke, C.P.A.
Treasurer

MIAMI EAST LOCAL SCHOOL DISTRICT

3825 North State Route 589
Casstown, Ohio 45312
(937) 335-7505
FAX (937) 335-6309

June 3, 2020

To the Auditor of the State of Ohio,

This is a summary schedule of our prior audit findings. Corrective action was taken and the finding was fully corrected in fiscal year 2019. Thank you.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Significant Deficiency – Various deficiencies related to tracking ticket sales to various athletic events	Corrective action taken and the finding was fully corrected in fiscal year 2019.	

Sincerely,

Lisa Fahncke
Treasurer
Miami East Local Schools
3825 North State Route 589
Casstown, Ohio 45312

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OHIO AUDITOR OF STATE KEITH FABER



MIAMI EAST LOCAL SCHOOL DISTRICT

MIAMI 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
JUNE 30, 2020**