



Dave Yost • Auditor of State



**MT. HEALTHY CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

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HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Mt. Healthy City School District  
Hamilton County  
7615 Harrison Avenue  
Mt. Healthy, OH 45231

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Mt. Healthy City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the '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 '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 '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, the major fund, and the aggregate remaining fund information of Mt. Healthy City School District, Hamilton County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof for the then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated , on our consideration of the '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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 14, 2018

**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

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

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- Net Position of governmental activities decreased \$1,289,921 which represents a 4% decrease from 2016.
- General revenues accounted for \$40,983,810 in revenue or 80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,555,930 or 20% of total revenues of \$51,539,740.
- The District had \$52,829,661 in expenses related to governmental activities; \$10,555,930 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$40,983,810 were also used to provide for these programs.

**Overview of the Financial Statements**

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

The *Statement of Net Position* and the *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. The General Fund is the major fund of the District.

**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows of resources, and liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.



**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

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

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities. The District's programs and services include instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

**Fund Financial Statements**

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. 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 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* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

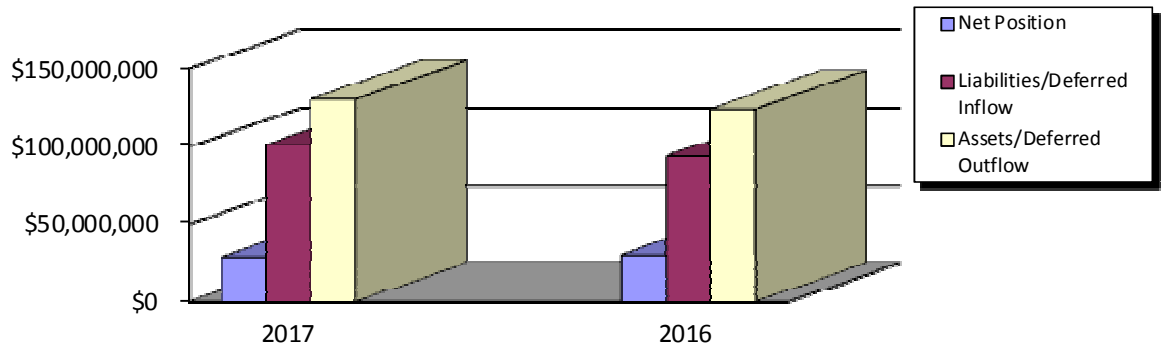
**The District as a Whole**

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2017 compared to 2016:

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**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

	Governmental Activities	
	2017	2016 - Restated
Assets:		
Current and Other Assets	\$38,932,692	\$35,826,140
Capital Assets	<u>77,321,236</u>	<u>81,689,724</u>
Total Assets	<u>116,253,928</u>	<u>117,515,864</u>
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	1,684,314	1,775,358
	<u>12,339,138</u>	<u>4,571,627</u>
Total Deferred Outflows of Resources	<u>14,023,452</u>	<u>6,346,985</u>
Liabilities:		
Other Liabilities	4,009,186	4,053,494
Long-Term Liabilities	<u>89,558,997</u>	<u>79,004,793</u>
Total Liabilities	<u>93,568,183</u>	<u>83,058,287</u>
Deferred Inflows of Resources:		
Property Taxes	7,587,043	8,642,803
Pension	<u>83,104</u>	<u>1,832,788</u>
Total Deferred Inflows of Resources	<u>7,670,147</u>	<u>10,475,591</u>
Net Position:		
Net Investment in Capital Assets	49,737,958	53,128,795
Restricted	4,026,030	3,626,812
Unrestricted	<u>(24,724,938)</u>	<u>(26,426,636)</u>
Total Net Position	<u>\$29,039,050</u>	<u>\$30,328,971</u>



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,039,050.

**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

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At year-end, capital assets represented 67% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2017, was \$49,737,958. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$4,026,030 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Long-Term Liabilities increased mainly due to the increase in Net Pension Liability.

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

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**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

**Table 2  
Changes in Net Position**

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues		
Charges for Services	\$1,048,461	\$661,325
Operating Grants, Contributions	9,507,469	10,437,878
General Revenues:		
Property Taxes	13,835,102	11,734,605
Grants and Entitlements	26,810,493	24,577,536
Other	338,215	464,913
Total Revenues	<u>51,539,740</u>	<u>47,876,257</u>
Program Expenses:		
Instruction	30,046,804	26,925,066
Support Services:		
Pupil and Instructional Staff	5,329,919	4,485,414
School Administration, General		
Administration, Fiscal and Business	4,526,600	4,179,040
Operations and Maintenance	4,096,268	3,638,230
Pupil Transportation	4,065,172	2,991,393
Central	239,179	216,337
Operation of Non-Instructional Services	2,306,850	2,203,979
Extracurricular Activities	1,029,671	845,550
Interest and Fiscal Charges	1,189,198	1,216,056
Total Program Expenses	<u>52,829,661</u>	<u>46,701,065</u>
Change in Net Position	(1,289,921)	1,175,192
Net Position Beginning of Year - Restated	<u>30,328,971</u>	<u>29,153,779</u>
Net Position End of Year	<u>\$29,039,050</u>	<u>\$30,328,971</u>

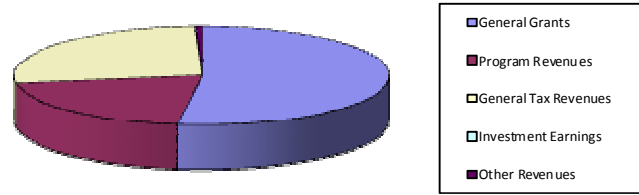
The District revenues are mainly from three sources. Property taxes levied for general, special revenue and capital project purposes, program revenues, and grants and entitlements comprised 99% of the District's revenues for governmental activities. The District's reliance upon tax revenues is demonstrated in the following graph:

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**Mt. Healthy City School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

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Revenue Sources	2017	Percent of Total
General Grants	\$26,810,493	52.02%
Program Revenues	10,555,930	20.48%
General Tax Revenues	13,835,102	26.84%
Investment Earnings	62,261	0.12%
Other Revenues	275,954	0.54%
<b>Total Revenues</b>	<b>\$51,539,740</b>	<b>100.00%</b>



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

Thus, Ohio districts dependent upon property taxes could be hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 27% of revenue for governmental activities for the District in fiscal year 2017.

Total revenues increased in 2017 mainly due to an increase in property tax revenue made available for advance from the county auditor. Total expenses increased mainly due to the increase in instruction expenses.

Instruction comprises 57% of governmental program expenses. Support services expenses were 34% of governmental program expenses. All other expenses including interest and fiscal charges were 9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

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

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**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$30,046,804	\$26,925,066	(\$24,091,292)	(\$19,621,322)
Support Services:				
Pupil and Instructional Staff	5,329,919	4,485,414	(4,377,884)	(3,700,598)
School Administration, General				
Administration, Fiscal and Business	4,526,600	4,179,040	(4,071,569)	(3,875,103)
Operations and Maintenance	4,096,268	3,638,230	(4,048,229)	(3,548,788)
Pupil Transportation	4,065,172	2,991,393	(3,663,656)	(2,752,487)
Central	239,179	216,337	(239,111)	(216,337)
Operation of Non-Instructional Services	2,306,850	2,203,979	309,673	59,447
Extracurricular Activities	1,029,671	845,550	(902,465)	(730,618)
Interest and Fiscal Charges	1,189,198	1,216,056	(1,189,198)	(1,216,056)
Total Expenses	<u>\$52,829,661</u>	<u>\$46,701,065</u>	<u>(\$42,273,731)</u>	<u>(\$35,601,862)</u>

**The District's Funds**

The District has one major governmental fund: the General Fund. Assets of this fund comprised \$33,022,209 (84%) of the total \$39,508,382 governmental funds' assets.

**General Fund:** Fund balance at June 30, 2017 was \$22,264,316, an increase in fund balance of \$3,863,948 from 2016. The primary reason for the increase in fund balance was due to an increase in property tax and intergovernmental revenue.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2017, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the original budget basis revenue was \$38,069,606, compared to final budget estimates of \$41,559,417. The difference between the original budget basis and final budget was \$3,489,811 was mostly due to underestimating taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$19,995,043.

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**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2017, the District had \$77,321,236 invested in land, land improvements, buildings and improvements, equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

**Table 4  
Capital Assets, Net of Depreciation**

	Governmental Activities	
	2017	2016 - Restated
Land	\$1,624,962	\$1,624,962
Land Improvements	2,804,952	3,150,728
Buildings and Improvements	70,881,368	73,609,332
Equipment	1,719,323	2,811,702
Vehicles	290,631	493,000
Total Net Capital Assets	<u>\$77,321,236</u>	<u>\$81,689,724</u>

The decrease in capital assets is due to current year depreciation expense exceeding current year additions.

See Note 7 to the basic financial statements for further details on the District's capital assets.

***Debt***

At June 30, 2017, the District had \$29,267,592 in debt outstanding and \$885,000 due within one year. Table 5 summarizes outstanding debt at year end.

**Table 5  
Outstanding Debt, at Year End**

	Governmental Activities	
	2017	2016
2008 School Improvement Bonds	\$885,000	\$1,740,000
2015 Refunding Bonds	25,145,000	25,145,000
2015 Refunding Bonds - Premium	3,237,592	3,412,597
Capital Leases	0	38,690
Total Debt Outstanding	<u>\$29,267,592</u>	<u>\$30,336,287</u>

See Note 8 and 9 to the basic financial statements for further details on the District's outstanding debt.

**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

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**For the Future**

On June 30, 2013, Governor John Kasich signed House Bill 59, the state biennium budget bill for fiscal years 2014 and 2015. The budget bill limits the total increased funding that will be provided to public school districts to 6.25 percent in fiscal year 2014 and 10.5 percent in fiscal year 2015, both of which impact the District. Coupled with the funding gain limits, House Bill 59 also introduced new spending mandates and increased deductions from public school districts to fund charter and non-public options. These funding limits, spending mandates and deduction increases all have to be taken into account in monitoring the operation of the District and future decisions on pursuing additional revenue or expenditure reductions. This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Mt. Healthy City School District, 7615 Harrison Avenue, Cincinnati, Ohio 45231.

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Mt. Healthy City School District  
Statement of Net Position  
June 30, 2017

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$23,501,041
Receivables (Net):	
Taxes	13,737,028
Accounts	151,803
Interest	39,363
Intergovernmental	1,359,254
Prepays	64,123
Inventory	80,080
Nondepreciable Capital Assets	1,624,962
Depreciable Capital Assets, Net	<u>75,696,274</u>
 Total Assets	 <u>116,253,928</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	 1,684,314 <u>12,339,138</u>
 Total Deferred Outflows of Resources	 <u>14,023,452</u>
 Liabilities:	
Accounts Payable	603,950
Accrued Wages and Benefits	3,303,744
Accrued Interest Payable	101,492
Long-Term Liabilities:	
Due Within One Year	1,121,196
Due In More Than One Year	
Net Pension Liability	59,131,458
Other Amounts	<u>29,306,343</u>
 Total Liabilities	 <u>93,568,183</u>
 Deferred Inflows of Resources:	
Property Taxes	7,587,043
Pension	<u>83,104</u>
 Total Deferred Inflows of Resources	 <u>7,670,147</u>
 Net Position:	
Net Investment in Capital Assets	49,737,958
Restricted for:	
Debt Service	1,503,718
Capital Projects	14,091
Classroom Facilities Maintenance	553,639
Federal Grants	503,098
Food Service	1,390,917
District Managed Student Activity	24,983
Other Purposes	35,584
Unrestricted	<u>(24,724,938)</u>
 Total Net Position	 <u><u>\$29,039,050</u></u>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$14,744,355	\$605,726	\$58,099	(\$14,080,530)
Special	9,113,093	176,184	4,764,764	(4,172,145)
Vocational	148,069	2,433	36,942	(108,694)
Other	6,041,287	53	311,311	(5,729,923)
<b>Support Services:</b>				
Pupil	3,429,792	1,182	342,766	(3,085,844)
Instructional Staff	1,900,127	7,770	600,317	(1,292,040)
General Administration	98,841	0	0	(98,841)
School Administration	3,290,185	2,881	451,471	(2,835,833)
Fiscal	825,198	0	679	(824,519)
Business	312,376	0	0	(312,376)
Operations and Maintenance	4,096,268	15,291	32,748	(4,048,229)
Pupil Transportation	4,065,172	0	401,516	(3,663,656)
Central	239,179	38	30	(239,111)
Operation of Non-Instructional Services	2,306,850	117,790	2,498,733	309,673
Extracurricular Activities	1,029,671	119,113	8,093	(902,465)
Interest and Fiscal Charges	1,189,198	0	0	(1,189,198)
Bond Issuance Costs	0	0	0	0
<b>Total Governmental Activities</b>	<b>\$52,829,661</b>	<b>\$1,048,461</b>	<b>\$9,507,469</b>	<b>(42,273,731)</b>

**General Revenues:**

<b>Property Taxes Levied for:</b>	
General Purposes	11,599,064
Special Revenue Purposes	127,413
Debt Service Purposes	2,108,625
Grants and Entitlements, Not Restricted	26,810,493
Revenue in Lieu of Taxes	51,760
Unrestricted Contributions	16,524
Investment Earnings	62,261
Other Revenues	207,670
<b>Total General Revenues</b>	<b>40,983,810</b>
<b>Change in Net Position</b>	<b>(1,289,921)</b>
<b>Net Position - Beginning of Year</b>	<b>30,328,971</b>
<b>Net Position - End of Year</b>	<b>\$29,039,050</b>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District  
Balance Sheet  
Governmental Funds  
June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$20,730,464	\$2,770,577	\$23,501,041
<b>Receivables (Net):</b>			
Taxes	11,484,377	2,252,651	13,737,028
Accounts	138,248	13,555	151,803
Interest	39,363	0	39,363
Intergovernmental	0	1,359,254	1,359,254
Interfund	575,690	0	575,690
Prepays	54,067	10,056	64,123
Inventory	0	80,080	80,080
<b>Total Assets</b>	<b>33,022,209</b>	<b>6,486,173</b>	<b>39,508,382</b>
<b>Liabilities:</b>			
Accounts Payable	582,970	20,980	603,950
Accrued Wages and Benefits	2,798,449	505,295	3,303,744
Compensated Absences	50,311	0	50,311
Interfund Payable	0	575,690	575,690
<b>Total Liabilities</b>	<b>3,431,730</b>	<b>1,101,965</b>	<b>4,533,695</b>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	7,299,377	1,442,651	8,742,028
Grants and Other Taxes	12,080	684,730	696,810
Investment Earnings	14,706	0	14,706
<b>Total Deferred Inflows of Resources</b>	<b>7,326,163</b>	<b>2,127,381</b>	<b>9,453,544</b>
<b>Fund Balances:</b>			
Restricted	0	3,489,776	3,489,776
Assigned	528,272	0	528,272
Unassigned	21,736,044	(232,949)	21,503,095
<b>Total Fund Balances</b>	<b>22,264,316</b>	<b>3,256,827</b>	<b>25,521,143</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$33,022,209</b>	<b>\$6,486,173</b>	<b>\$39,508,382</b>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2017

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Total Governmental Fund Balance		\$25,521,143
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		77,321,236
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	\$1,154,985	
Interest	14,706	
Intergovernmental	684,484	
Other Receivables	<u>12,326</u>	
		1,866,501
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(101,492)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(1,109,636)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		1,684,314
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$12,339,138	
Deferred inflows of resources related to pensions	<u>(83,104)</u>	
		12,256,034
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(\$59,131,458)	
Other Amounts	<u>(29,267,592)</u>	
		<u>(88,399,050)</u>
Net Position of Governmental Activities		<u>\$29,039,050</u>

See accompanying notes to the basic financial statements.

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property and Other Taxes	\$11,651,344	\$2,242,317	\$13,893,661
Tuition and Fees	780,379	0	780,379
Investment Earnings	52,789	0	52,789
Intergovernmental	30,223,646	6,501,112	36,724,758
Extracurricular Activities	14,789	111,996	126,785
Charges for Services	612	117,767	118,379
Other Revenues	161,150	125,397	286,547
<b>Total Revenues</b>	<b>42,884,709</b>	<b>9,098,589</b>	<b>51,983,298</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	12,122,430	23,813	12,146,243
Special	6,246,458	1,962,553	8,209,011
Vocational	139,969	7,713	147,682
Other	5,732,907	287,575	6,020,482
<b>Support Services:</b>			
Pupil	2,855,196	458,438	3,313,634
Instructional Staff	1,314,588	486,036	1,800,624
General Administration	98,043	0	98,043
School Administration	2,191,045	368,699	2,559,744
Fiscal	752,208	63,884	816,092
Business	290,783	0	290,783
Operations and Maintenance	2,573,669	146,630	2,720,299
Pupil Transportation	3,048,118	149,190	3,197,308
Central	63,729	100	63,829
Operation of Non-Instructional Services	203	2,140,527	2,140,730
Extracurricular Activities	803,694	161,314	965,008
Capital Outlay	631,320	77,253	708,573
<b>Debt Service:</b>			
Principal Retirement	38,690	855,000	893,690
Interest and Fiscal Charges	707	1,274,863	1,275,570
<b>Total Expenditures</b>	<b>38,903,757</b>	<b>8,463,588</b>	<b>47,367,345</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>3,980,952</b>	<b>635,001</b>	<b>4,615,953</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	142,652	142,652
Transfers (Out)	(117,004)	(25,648)	(142,652)
<b>Total Other Financing Sources (Uses)</b>	<b>(117,004)</b>	<b>117,004</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>3,863,948</b>	<b>752,005</b>	<b>4,615,953</b>
<b>Fund Balance - Beginning of Year</b>	<b>18,400,368</b>	<b>2,504,822</b>	<b>20,905,190</b>
<b>Fund Balance - End of Year</b>	<b>\$22,264,316</b>	<b>\$3,256,827</b>	<b>\$25,521,143</b>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2017

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Net Change in Fund Balance - Total Governmental Funds \$4,615,953

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

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

Capital assets used in governmental activities	\$430,644	
Depreciation Expense	<u>(4,799,132)</u>	(4,368,488)

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

District pension contributions	\$2,884,982	
Cost of benefits earned net of employee contributions	<u>(5,229,388)</u>	(2,344,406)

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

Delinquent Property Taxes	(\$58,559)	
Interest	9,472	
Intergovernmental	(406,797)	
Other	<u>12,326</u>	(443,558)

Repayment of bond and capital lease principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net position.

893,690

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

2,411

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

Compensated Absences	\$270,516	
Amortization of Bond Premium	175,005	
Amortization of Deferred Charge on Refunding	<u>(91,044)</u>	
		<u>354,477</u>

Change in Net Position of Governmental Activities		<u><u>(\$1,289,921)</u></u>
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See accompanying notes to the basic financial statements.

Mt. Healthy City School District  
Statement of Assets and Liabilities  
Fiduciary Fund  
June 30, 2017

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$57,998
Receivables (Net):	
Total Assets	<u>57,998</u>
Liabilities:	
Accounts Payable	2,773
Other Liabilities	<u>55,225</u>
Total Liabilities	<u>\$57,998</u>
Net Position:	
Held in Trust	
Restricted for Endowment - Expendable	
Restricted for Endowment - Nonexpendable	
Total Net Position	

See accompanying notes to the basic financial statements.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Note 1 - Description of the District**

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by approximately 105 support staff personnel and approximately 247 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 10th largest in Hamilton County in terms of enrollment. It currently operates 2 elementary schools, 1 junior high (grades 7-8) and 1 high school (grades 9-12). The Junior High and High School are located on the same complex.

**Reporting Entity**

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

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

The District is associated with three organizations, two of which are defined as jointly governed organizations, and one as an insurance purchasing pool. These organizations are:

Jointly Governed Organizations:

Hamilton Clermont Information Technology Center  
Great Oaks Career Campuses

Insurance Purchasing Pool:

Ohio School Boards Association Workers' Compensation Group Rating Plan

These organizations are presented in Notes 12 and 13.

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

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



**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Measurement Focus**

**Government-wide Financial Statements**

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

The government-wide statements are prepared using the economic resources measurement focus. All assets, 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. Fiduciary funds are not included in entity-wide statements.

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

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Fund Accounting**

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

**Governmental Funds**

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

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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

**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. Private purpose 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 custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are Agency Funds. The District's Agency Funds account for assets and liabilities generated by student managed activities and activities related to the state athletic tournament.

**Note 3 - Basis of Accounting**

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Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. 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. The deferred outflows of resources related to a deferred charge on refunding and pension are reported on the governmental-wide statement of net position. For more pension related information, see Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes, pension, and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows related to pension are reported on the governmental-wide statement of net position. For more pension related information, see Note 9.

Expenses/Expenditures

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

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

**Equity In Pooled Cash And Investments**

Cash received by the District is pooled for investment purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue in the General Fund during fiscal year 2017 amounted to \$52,789 and \$0 in Other Governmental Funds.

**Inventory**

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

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Capital Assets**

General capital 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) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars (\$1,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	5-30 years
Equipment	5-20 years

**Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limit specified in the District's termination policy. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that have matured, for example, as a result of employee resignations and retirements.

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	15-25 days service accumulated monthly	10-25 days for each year depending on length of service

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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Maximum Accumulation	Not Applicable	20 days at end of their contract year	20 days at end of their contract year
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	1-1/2 days per month of employment (18 days per year)	1-1/4 days per month of employment (15 days per year)	1-1/2 days per month of employment (18 days per year)
Maximum Accumulation	265 days	265 days	265 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

**Pensions**

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

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the \$4,026,030 in restricted net position, none was restricted by enabling legislation.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Interfund Activity**

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

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

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

**Fund Balance**

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

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

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

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

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

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

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Estimates**

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

**Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for budget stabilization and amounts held in retainage for contractors.

**Note 4 - Equity in Pooled Cash and Investments**

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

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

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

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

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

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

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys 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.

### **Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2017, \$10,933,829 of the District's bank balance of \$11,189,424 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.



**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Investments**

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Municipal Bonds	\$923,844	Level 2	0.42
Federal Home Loan Bank	2,739,241	Level 2	3.43
Federal National Mortgage Association	1,972,565	Level 2	1.84
Negotiable CDs	7,088,429	Level 2	2.38
Total Fair Value	<u>\$12,724,079</u>		
Portfolio Weighted Average Maturity			2.45

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2017. All investments of the District are valued using quoted market prices.

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Bank and Federal National Mortgage Association, were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Municipal Bonds were rated A-1+ by Standard & Poor's and P-1 by Moody's Investors Service. Negotiable CDs were unrated.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 22% in Federal Home Loan Bank, 15% in Federal National Mortgage Association, 7% in Municipal Bonds, and 56% in Negotiable CD's.

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

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
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**Note 5 - Property Taxes**

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Real property taxes collected in 2017 were levied in April on the assessed values as of January 1, 2016, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Real property taxes are payable annually or semi-annually. In 2017, if paid annually, payment was due by January 31st. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2017. Delinquent property taxes collected within 60 days of the fiscal year end are included as a receivable and tax revenue on the fund financial statements. All delinquent property taxes outstanding at June 30, 2017 are recognized as a revenue and receivable on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2017, was \$4,185,000 for General Fund and \$810,000 in Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2017 operations.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$269,839,810
Public Utility	<u>14,431,830</u>
Total	<u><u>\$284,271,640</u></u>

**Note 6 – Receivables**

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Receivables at June 30, 2017, consisted of taxes, accounts, interest, intergovernmental grants, and interfund. 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.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
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**Note 7 - Capital Assets**

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

	Restated Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$1,624,962	\$0	\$0	\$1,624,962
<b><i>Capital Assets, being depreciated:</i></b>				
Land Improvements	6,136,816	0	0	6,136,816
Buildings and Improvements	90,557,743	281,487	0	90,839,230
Equipment	11,373,812	149,157	0	11,522,969
Vehicles	2,117,761	0	0	2,117,761
<b>Totals at Historical Cost</b>	<b>111,811,094</b>	<b>430,644</b>	<b>0</b>	<b>112,241,738</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	2,986,088	345,776	0	3,331,864
Buildings and Improvements	16,948,411	3,009,451		19,957,862
Equipment	8,562,110	1,241,536		9,803,646
Equipment	1,624,761	202,369	0	1,827,130
<b>Total Accumulated Depreciation</b>	<b>30,121,370</b>	<b>4,799,132</b>	<b>0</b>	<b>34,920,502</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$81,689,724</b>	<b>(\$4,368,488)</b>	<b>\$0</b>	<b>\$77,321,236</b>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,571,716
Special	193,405
Support Services:	
Pupils	1,920
Instructional Staff	75,346
School Administration	525,985
Operations and Maintenance	1,243,935
Pupil Transportation	853,286
Central	174,208
Operation of Non-Instructional Services	130,056
Extracurricular Activities	29,275
<b>Total Depreciation Expense</b>	<b>\$4,799,132</b>

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
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**Note 8 - Long-Term Liabilities**

	Interest Rate	Beginning Principal Outstanding	Additions	Deductions	Ending Principal Outstanding	Due In One Year
<b>Governmental Activities:</b>						
Loan and Bonds Payable:						
2008 School Improvement Bonds	4.25%	\$1,740,000	\$0	\$855,000	\$885,000	\$885,000
2015 Refunding Bonds	3.625%-5.00%	25,145,000	0	0	25,145,000	0
2015 Refunding Bonds - Premium		3,412,597	0	175,005	3,237,592	0
Subtotal Bonds		30,297,597	0	1,030,005	29,267,592	885,000
Capital Lease	4.85%	38,690	0	38,690	0	0
Compensated Absences		1,398,649	0	238,702	1,159,947	236,196
Subtotal Bonds and Other Amounts		31,734,936	0	1,307,397	30,427,539	1,121,196
Net Pension Liability:						
STRS		38,796,365	9,609,688	0	48,406,053	0
SERS		8,473,491	2,251,914	0	10,725,405	0
Subtotal Net Pension Liability		47,269,856	11,861,602	0	59,131,458	0
Total Long-Term Obligations		\$79,004,792	\$11,861,602	\$1,307,397	\$89,558,997	\$1,121,196

General obligation bonds and capital leases will be paid from the debt service fund and the general fund. Compensated absences will be paid from the fund from which the person is paid.

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2017 follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2018	\$885,000	\$1,244,414	\$2,129,414
2019	905,000	1,206,301	2,111,301
2020	945,000	1,160,051	2,105,051
2021	990,000	1,111,676	2,101,676
2022	1,035,000	1,061,051	2,096,051
2023-2027	5,975,000	4,457,755	10,432,755
2028-2032	7,660,000	2,763,130	10,423,130
2033-2036	7,635,000	688,491	8,323,491
Total	\$26,030,000	\$13,692,869	\$39,722,869

**Note 9 - Defined Benefit Pension Plans**

**Net Pension Liability**

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

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

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

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

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

**Plan Description - School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

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

**Mt. Healthy City School District**  
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Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

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

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

The contractually required contribution to SERS was \$680,353 for fiscal year 2017. Of this amount \$112,214 is reported as accrued wages and benefits.

**Plan Description - State Teachers Retirement System (STRS)**

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

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

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
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benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

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

The contractually required contribution to STRS was \$2,204,629 for fiscal year 2017. Of this amount \$368,248 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$10,725,405	\$48,406,053	\$59,131,458
Proportion of the Net Pension Liability	0.14654040%	0.14461217%	
Pension Expense	1,123,179	4,106,209	5,229,388

At June 30, 2017, 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>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$144,661	\$1,955,837	\$2,100,498
Changes of assumptions	715,979	0	715,979
Net difference between projected and actual earnings on pension plan investments	884,691	4,019,003	4,903,694
Changes in employer proportionate share of net pension liability	30,293	1,703,692	1,733,985
Contributions subsequent to the measurement date	<u>680,353</u>	<u>2,204,629</u>	<u>2,884,982</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$2,455,977</u></b>	<b><u>\$9,883,161</u></b>	<b><u>\$12,339,138</u></b>
<b>Deferred Inflows of Resources</b>			
Changes in employer proportionate share of net pension liability	<u>\$83,104</u>	<u>\$0</u>	<u>\$83,104</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$83,104</u></b>	<b><u>\$0</u></b>	<b><u>\$83,104</u></b>

\$2,884,982 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$420,414	\$1,433,827	\$1,854,241
2019	419,776	1,433,827	1,853,603
2020	598,017	2,976,031	3,574,048
2021	<u>254,312</u>	<u>1,834,848</u>	<u>2,089,160</u>
<b>Total</b>	<b><u>\$1,692,519</u></b>	<b><u>\$7,678,533</u></b>	<b><u>\$9,371,052</u></b>



**Mt. Healthy City School District**  
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**Actuarial Assumptions - SERS**

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

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

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

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

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

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

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

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

**Discount Rate**

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$14,199,768	\$10,725,405	\$7,817,219

**Actuarial Assumptions - STRS**

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

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

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

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

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

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

**Discount Rate**

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

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$64,327,710	\$48,406,052	\$34,975,195

**Changes Between Measurement Date and Report Date**

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

**Note 10 - Post Employment Benefits**

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***School Employees Retirement System***

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

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

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

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$197,334, respectively.

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

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

***State Teachers Retirement System***

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

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

**Note 11 - Contingent Liabilities**

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**Foundation Funding**

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

**Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Litigation**

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

**Note 12 - Risk Management**

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The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets errors and omissions, injuries to employees and natural disasters. During the fiscal year, the Ohio School Plan through Hylant Insurance provided property insurance to the district. The Ohio School Plan provided liability insurance coverage with a 5 million Dollar aggregate limit to all employees and volunteers of the district.

All District owned fleet vehicles excluding buses (operated and insured by Durham/National Express) are insured by Ohio School Plan through Hylant and hold a \$1,000 deductible for comprehensive and collision automobile liability and has a 5 million dollar combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past 10 years.

The District carries a performance bond in the amount of \$50,000 for the Treasurer as required by Ohio Revised Code. All other employees including the Superintendent and the Board President are covered under the Employee Dishonesty portion of the Crime coverage on the Ohio School Plan policy.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP is intended to reduce the District's premium by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

The District provides a minimum of \$45,000 life insurance and accidental death and dismemberment insurance policy to all employees except administrators through Anthem Life Insurance Co. The District provides administrators a maximum of 1.5 times their salary life insurance and accidental death with a maximum of \$150,000.

The District offers medical/surgical/hospitalization insurance benefits to all employees through Anthem Blue Cross/Blue Shield through the Greater Cincinnati Insurance Consortium.

The District offers dental insurance through Dental Care Plus.

Settled claims have not exceeded commercial coverage in any of the past five years. There has not been a significant reduction in insurance coverage from the previous year.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Note 13 - Jointly Governed Organizations**

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*The Hamilton Clermont Cooperative Information Technology Center (HCC)* is a computer service organization whose primary function is to provide information technology services to its members. Currently, the District along with other member school districts in the Ohio counties of Hamilton and Clermont are participants. The Center was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of HCC consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Each of the schools support HCC based upon a per pupil charge dependent upon the software package utilized. Financial information can be obtained from their fiscal agent, the Hamilton County Education Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio 45231.

*Great Oaks Career Campuses* is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of thirty-five representatives from the various city and county boards within Hamilton County, which possesses its own budgeting and taxing authority. To obtain financial information write to the Treasurer at Great Oaks Career Campuses, 3254 East Kemper Road, Cincinnati, Ohio 45241.

**Note 14– Accountability**

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The following individual funds had a deficit in fund balance at year end:

Fund	Deficit
Other Governmental Funds:	
Management Information Systems	158,514
Special Education	2,137
Title I	50,803
Title V Innovative Projects	2,851
Improving Teacher Quality	14,442
Miscellaneous State Grants	3,912
Building	290

Generally, the deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

**Note 15 – Requirement for Set-Asides**

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

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

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance as of June 30, 2016	\$0	\$168,887
Current Year Set Aside Requirements	603,453	0
Qualified Disbursements	(603,453)	0
Current Year Offsets	0	0
Set Aside Reserve Balance as of June 30, 2017	<u>\$0</u>	<u>\$168,887</u>
Restricted Cash as of June 30, 2017	<u>\$0</u>	<u>\$168,887</u>

Expenditures for capital activity during the year totaled \$603,453, was less than the amount required for the set-aside.

Senate Bill 345 eliminated the Budget Stabilization Reserve, except the amounts related to unspent Bureau of Workers' Compensation refunds. The Bill stipulates that the Board of Education can retain the reserve account or use the reserve for specifically discretionary purposes.

**Note 16 - Interfund Transactions**

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Interfund transactions at June 30, 2017, consisted of the following interfund receivables, payables, transfers in and out:

	Interfund Loan		Transfers	
	Receivable	Payable	In	Out
General Fund	\$575,690	\$0	\$0	\$117,004
Other Governmental Funds	0	575,690	142,652	25,648
Total All Funds	<u>\$575,690</u>	<u>\$575,690</u>	<u>\$142,652</u>	<u>\$142,652</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

All interfund balances are expected to be paid within one year.

**Note 17 – Fund Balances**

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



**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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Fund Balances	General	Other Governmental Funds	Total
<b>Restricted for:</b>			
Local Grants	0	15,712	15,712
Vocational Education Enhancement	0	940	940
District Managed Activity	0	24,983	24,983
Auxiliary Services	0	2,088	2,088
Miscellaneous State Grants	0	16,844	16,844
Food Service	0	1,429,324	1,429,324
Classroom Facilities Maintenance	0	542,294	542,294
Title I School Improvement	0	21,175	21,175
Race to the Top	0	4	4
SIG FY11 South Elementary	0	1	1
Debt Service	0	1,422,320	1,422,320
Permanent Improvement	0	14,091	14,091
<b>Total Restricted</b>	<b>0</b>	<b>3,489,776</b>	<b>3,489,776</b>
<b>Assigned to:</b>			
Public School Support	22,501	0	22,501
Encumbrances	505,771	0	505,771
<b>Total Assigned</b>	<b>528,272</b>	<b>0</b>	<b>528,272</b>
<b>Unassigned (Deficit)</b>	<b>21,736,044</b>	<b>(232,949)</b>	<b>21,503,095</b>
<b>Total Fund Balance</b>	<b>\$22,264,316</b>	<b>\$3,256,827</b>	<b>\$25,521,143</b>

Fund balance classified as assigned for encumbrances in the general fund are assigned for all ordinary day-to-day operations of the District, for the purchase and sale of school supplies, and for specific local revenue sources.

**Note 18 – Implementation of New Accounting Principles**

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

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

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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

**Note 19 – Restatement of Net Position**

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During fiscal year 2017, the District had a capital asset appraisal performed. As a result of the appraisal, the capital assets needed to be restated.

The restatement of capital assets had the following effect on net position as reported June 30, 2016:

Net position June 30, 2016	\$23,037,812
Adjustments:	
Restatement of Net Capital Assets	<u>7,291,159</u>
Restated Net Position June 30, 2016	<u><u>\$30,328,971</u></u>

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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Mount Healthy City School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.14461217%	0.14037797%	0.13604723%	0.13604723%
District's Proportionate Share of the Net Pension Liability	\$48,406,053	\$38,796,365	\$33,091,395	\$39,312,096
District's Covered-Employee Payroll	\$14,402,400	\$14,896,721	\$14,969,523	\$13,720,242
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	336.10%	260.44%	221.06%	286.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2014 is not available

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

Mount Healthy City School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.14654040%	0.14849890%	0.14749300%	0.14749300%
District's Proportionate Share of the Net Pension Liability	\$10,725,405	\$8,473,491	\$7,464,537	\$8,773,563
District's Covered-Employee Payroll	\$4,551,000	\$4,645,888	\$4,329,134	\$2,814,629
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.67%	182.39%	172.43%	311.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) - Information prior to 2014 is not available

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$2,204,629	\$2,016,336	\$2,085,541	\$1,946,038	\$1,816,008
Contributions in Relation to the Contractually Required Contribution	<u>(2,204,629)</u>	<u>(2,016,336)</u>	<u>(2,085,541)</u>	<u>(1,946,038)</u>	<u>(1,816,008)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$15,747,350	\$14,402,400	\$14,810,767	\$14,104,897	\$13,720,242
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.08%	13.80%	13.24%

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$2,175,852	\$2,340,672	\$2,331,072	\$2,224,848	\$2,173,764
Contributions in Relation to the Contractually Required Contribution	<u>(2,175,852)</u>	<u>(2,340,672)</u>	<u>(2,331,072)</u>	<u>(2,224,848)</u>	<u>(2,173,764)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$15,053,799	\$15,900,743	\$16,280,374	\$16,097,305	\$15,983,301
Contributions as a Percentage of Covered-Employee Payroll	14.45%	14.72%	14.32%	13.82%	13.60%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$680,353	\$637,140	\$612,328	\$600,018	\$559,128
Contributions in Relation to the Contractually Required Contribution	<u>(680,353)</u>	<u>(637,140)</u>	<u>(612,328)</u>	<u>(600,018)</u>	<u>(559,128)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$4,859,664	\$4,551,000	\$3,224,281	\$3,128,813	\$2,814,629
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	18.99%	19.18%	19.87%



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

	2012	2011	2010	2009	2008
Contractually Required Contribution	\$745,320	\$846,744	\$786,216	\$787,836	\$790,860
Contributions in Relation to the Contractually Required Contribution	(745,320)	(846,744)	(786,216)	(787,836)	(790,860)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$4,131,865	\$4,525,596	\$4,864,340	\$4,770,295	\$4,678,987
Contributions as a Percentage of Covered-Employee Payroll	18.04%	18.71%	16.16%	16.52%	16.90%

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$9,745,960	\$10,639,365	\$10,756,344	\$116,979
Tuition and Fees	662,010	722,696	730,642	7,946
Investment Earnings	154,424	168,580	170,434	1,854
Intergovernmental	27,384,626	29,894,953	30,223,646	328,693
Extracurricular Activities	4,611	5,034	5,089	55
Charges for Services	555	605	612	7
Other Revenues	117,420	128,184	129,593	1,409
<b>Total Revenues</b>	<b>38,069,606</b>	<b>41,559,417</b>	<b>42,016,360</b>	<b>456,943</b>
Expenditures:				
Current:				
Instruction:				
Regular	12,122,746	12,347,768	12,432,938	(85,170)
Special	6,275,898	6,392,391	6,436,483	(44,092)
Vocational	152,111	154,934	156,003	(1,069)
Other	5,608,212	5,712,312	5,751,713	(39,401)
Support Services:				
Pupil	2,870,665	2,923,950	2,944,118	(20,168)
Instructional Staff	1,514,701	1,542,817	1,553,459	(10,642)
General Administration	99,753	101,604	102,305	(701)
School Administration	2,160,717	2,200,825	2,216,005	(15,180)
Fiscal	756,060	770,094	775,406	(5,312)
Business	285,008	290,299	292,301	(2,002)
Operations and Maintenance	2,702,554	2,752,719	2,771,706	(18,987)
Pupil Transportation	2,693,930	2,743,934	2,762,861	(18,927)
Central	67,626	68,881	69,356	(475)
Operation of Non-Instructional Services	198	202	203	(1)
Extracurricular Activities	693,846	706,725	711,600	(4,875)
Capital Outlay	279,177	284,359	286,320	(1,961)
<b>Total Expenditures</b>	<b>38,283,202</b>	<b>38,993,814</b>	<b>39,262,777</b>	<b>(268,963)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(213,596)</b>	<b>2,565,603</b>	<b>2,753,583</b>	<b>187,980</b>
Other Financing Sources (Uses):				
Proceeds of Capital Leases	0	0	0	0
Proceeds from Sale of Capital Assets	0	0	0	0
Proceeds of Long-Term Capital-Related Debt	0	0	0	0
Proceeds of Short-Term Notes	0	0	0	0
Advances In	174,536	190,535	192,630	2,095
Advances (Out)	(262,227)	(267,095)	(268,937)	(1,842)
Insurance Recoveries	0	0	0	0
O1	0	0	0	0
Transfers In	23,239	25,369	25,648	279
Transfers (Out)	(139,094)	(141,676)	(142,653)	(977)
<b>Total Other Financing Sources (Uses)</b>	<b>(203,546)</b>	<b>(192,867)</b>	<b>(193,312)</b>	<b>(445)</b>
<b>Net Change in Fund Balance</b>	<b>(417,142)</b>	<b>2,372,736</b>	<b>2,560,271</b>	<b>187,535</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	17,434,772	17,434,772	17,434,772	0
<b>Fund Balance End of Year</b>	<b>\$17,017,630</b>	<b>\$19,807,508</b>	<b>\$19,995,043</b>	<b>\$187,535</b>

See accompanying notes to the required supplementary information.

**Mt. Healthy City School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2017**

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**Note 1 – Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2017.

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

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

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

**Mt. Healthy City School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2017**

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

Net Change in Fund Balance	
	General
GAAP Basis	\$3,863,948
Revenue Accruals	(868,349)
Expenditure Accruals	400,755
Transfers In	25,648
Transfers (Out)	(25,649)
Advances In	192,630
Advances (Out)	(268,937)
Encumbrances	(760,002)
Funds Budgeted Elsewhere	227
Budget Basis	\$2,560,271

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**MT. HEALTHY CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>			
<b><i>Passed Through Ohio Department of Education:</i></b>			
Nutrition Cluster:			
School Breakfast Program	10.553	3L70	898,108
National School Lunch Program	10.555	3L60	1,273,798
Summer Food Service Program for Children	10.559	3L60	15,417
Total Nutrition Cluster			<u>2,187,323</u>
Total U.S. Department of Agriculture:			<u>2,187,323</u>
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>			
<b><i>Passed Through Ohio Department of Education:</i></b>			
Special Education Cluster:			
Special Education-Grants to States	84.027	3M20	868,949
Special Education - Preschool Grants	84.173	3C50	21,075
Total Special Education Cluster:			<u>890,024</u>
Title I Cluster:			
Title I Grants to Local Education Agencies	84.010	3M00	2,653,461
Sub A	84.010		73,309
Total Title I Cluster:			<u>2,726,770</u>
LEP / Immigrant, Title III	84.365	3Y70	9,525
Improving Teacher Quality	84.367	3Y60	147,064
			<u>156,589</u>
Passed Through Great Oaks Institute of Technology & Career Development:			
Career & Technical Education-Basic Grants to States (Perkins)	84-048	N/A	7,060
Total U.S. Department of Education			<u>3,780,443</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$5,967,766</u></u>

*The accompanying notes are an integral part of this schedule.*

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -- CHILD NUTRITION CLUSTER**

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

**NOTE C -- FOOD DONATION PROGRAM**

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

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# Dave Yost • Auditor of State

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

Mt. Healthy City School District  
Hamilton County  
7615 Harrison Avenue  
Mt. Healthy, OH 45231

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Mt. Healthy City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2018.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 14, 2018





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mt. Healthy City School District  
Hamilton County  
7615 Harrison Avenue  
Mt. Healthy, OH 45231

To the Board of Education:

### ***Report on Compliance for each Major Federal Program***

We have audited the Mt. Healthy City School District's, Hamilton County, Ohio (the District's), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 14, 2018

**MT. HEALTHY CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster - CFDA # 10.553, 10.555, 10.559  Special Education – Grants to States CFDA #84.027; Preschool CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

**MT. HEALTHY CITY SCHOOL DISTRICT**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 29, 2018**