

NORTH COLLEGE HILL CITY SCHOOL DISTRICT



Basic Financial Statements

June 30, 2018

OHIO AUDITOR OF STATE KEITH FABER



January 19, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

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Dave Yost • Auditor of State

Board of Education
North College Hill City School District
1731 Goodman Ave
Cincinnati, OH 45239

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

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 7, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Education
North College Hill City School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North College Hill City School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 16 to the financial statements, during the year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 13, 2018

**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased \$7,834,177 which represents a 146% increase from 2017.
- General revenues accounted for \$16,059,168 in revenue or 75% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,336,890 or 25% of total revenues of \$21,396,058.
- The District had \$13,561,881 in expenses related to governmental activities; \$5,336,890 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$16,059,168 were also used to provide for these programs.

Overview of the Financial Statements

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

The *Government-wide Financial Statements* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. *Fund financial statements* provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the only 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 2018?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows*, and *liabilities and deferred inflows* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

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

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities – All of the District's programs and services are reported as Governmental Activities including instruction, support services, operation of noninstructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

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

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

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

The District as a Whole

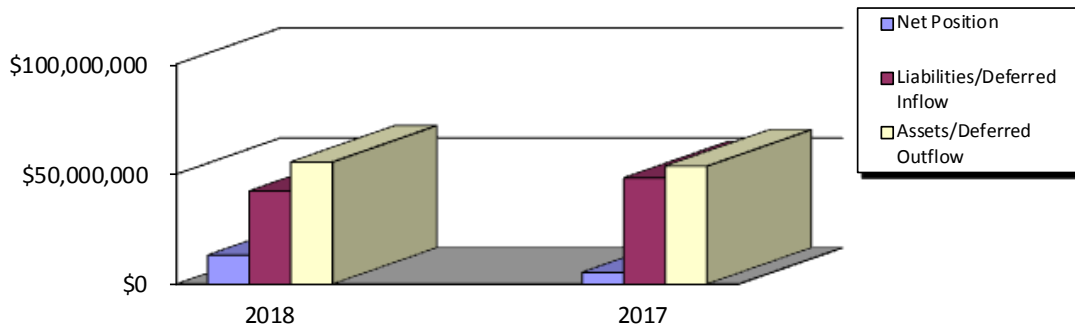
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017:

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**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2018	2017-Restated
Assets:		
Current and Other Assets	\$14,575,929	\$13,035,725
Capital Assets	34,066,416	35,294,338
Total Assets	48,642,345	48,330,063
Deferred Outflows of Resources:		
Deferred Charge on Refunding	571,130	602,859
Pension	6,051,068	4,668,892
OPEB	275,753	31,978
Total Deferred Outflows of Resources	6,897,951	5,303,729
Liabilities:		
Other Liabilities	1,618,436	1,441,844
Long-Term Liabilities	36,188,130	43,246,820
Total Liabilities	37,806,566	44,688,664
Deferred Inflows of Resources:		
Property Taxes	3,002,509	2,839,353
Pension	1,102,186	754,870
OPEB	443,953	0
Total Deferred Inflows of Resources	4,548,648	3,594,223
Net Position:		
Net Investment in Capital Assets	22,212,900	21,728,516
Restricted	1,482,193	1,551,235
Unrestricted	(10,510,011)	(17,928,846)
Total Net Position	\$13,185,082	\$5,350,905



**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

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

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

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

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

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

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

**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$8,976,844 to \$5,350,905.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$13,185,082.

At year-end, capital assets represented 70% of total assets. Capital assets include land, vehicles, buildings and improvements, and furniture and equipment. Net investment in capital assets at June 30, 2018, was \$22,212,900. 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, \$1,482,193 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets increased from the prior year mainly due to revenues exceeding expenditures in the General Fund, which resulted in an increase in cash and investments. Long-term liabilities decreased mainly due to a decrease in the net pension liability.

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

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**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

**Table 2
Changes in Net Position**

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues		
Charges for Services	\$720,894	\$568,025
Operating Grants, Contributions	4,615,996	4,551,429
General Revenues:		
Property Taxes	4,879,352	5,100,129
Grants and Entitlements	11,068,232	10,995,185
Investment Earnings	(8,209)	17,245
Other	119,793	68,028
Total Revenues	<u>21,396,058</u>	<u>21,300,041</u>
Program Expenses:		
Instruction	7,796,576	11,729,648
Support Services:		
Pupil and Instructional Staff	1,762,045	2,276,121
School Administrative, General Administration, Fiscal and Business	967,645	1,918,976
Operations and Maintenance	968,714	1,139,318
Pupil Transportation	308,554	274,530
Central	5,940	29,418
Operation of Non-Instructional Services	1,182,874	1,137,980
Extracurricular Activities	90,415	284,271
Interest and Fiscal Charges	479,118	370,738
Total Program Expenses	<u>13,561,881</u>	<u>19,161,000</u>
Change in Net Position	7,834,177	2,139,041
Net Position - Beginning of Year, Restated	<u>5,350,905</u>	<u>N/A</u>
Net Position - End of Year	<u>\$13,185,082</u>	<u>\$5,350,905</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$31,978 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$608,608. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Total 2018 operating expenses under GASB 75	\$13,561,881
Negative OPEB expense under GASB 75	608,608
2018 contractually required contribution	43,450
Adjusted 2018 operating expenses	14,213,939
Total 2017 operating expenses under GASB 45	19,161,000
Change in operating expenses not related to OPEB	(\$4,947,061)

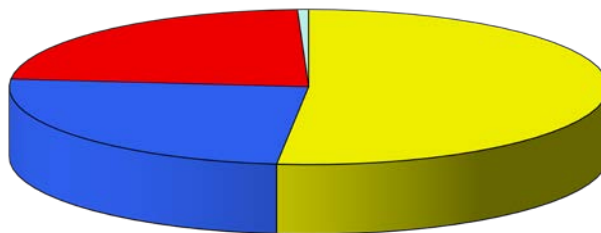
The District revenues are mainly from three sources. Property taxes levied for general, special revenue, debt service and capital projects purposes, grants and entitlements, and operating grants and contributions comprised 96% of the District's revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 23% of revenue for governmental activities for the District in fiscal year 2018.

**Governmental Activities
Revenue Sources**

	2018	Percentage
General Grants	\$11,068,232	51.70%
Program Revenues	5,336,890	24.90%
General Tax Revenues	4,879,352	22.80%
Other Revenues	111,584	0.60%
Total Revenue Sources	\$21,396,058	100.00%



**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Instruction comprises 57% of governmental program expenses. Support services expenses were 30% of governmental program expenses. All other expenses including interest and fiscal charges were 13%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Program revenues increased from the prior year due to an increase in charges for services and sales and operation grants and contributions (Federal grant monies received). Total expenses decreased due to changes related to net pension liability and other post employment benefits liability.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. These services are mainly supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$7,796,576	\$11,729,648	(\$4,035,430)	(\$8,275,702)
Support Services:				
Pupil and Instructional Staff	1,762,045	2,276,121	(1,411,670)	(1,944,074)
School Administrative, General				
Administration, Fiscal and Business	967,645	1,918,976	(957,938)	(1,908,538)
Operations and Maintenance	968,714	1,139,318	(946,979)	(1,128,179)
Pupil Transportation	308,554	274,530	(264,154)	(216,074)
Central	5,940	29,418	(5,940)	(29,418)
Operation of Non-Instructional Services	1,182,874	1,137,980	(85,190)	65,122
Extracurricular Activities	90,415	284,271	(38,572)	(233,945)
Interest and Fiscal Charges	479,118	370,738	(479,118)	(370,738)
Total Expenses	<u>\$13,561,881</u>	<u>\$19,161,000</u>	<u>(\$8,224,991)</u>	<u>(\$14,041,546)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the General Fund comprised \$12,050,604 (82%) of the total \$14,671,211 governmental funds' assets.

General Fund: Fund balance at June 30, 2018 was \$7,821,347 including \$7,816,963 of unassigned balance. The District had an increase in fund balance of \$1,105,650. The increase in fund balance was due to revenues exceeding expenditures.

**North College Hill City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

General Fund Budgeting Highlights

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

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

For the General Fund, the final budgeted revenue was \$17,577,486 and the original budgeted revenue was \$17,378,001. The District’s final budgeted revenue was \$16,580 less than actual revenue. This was due to underestimating tax and intergovernmental revenues.

The District’s unobligated cash balance for the General Fund was \$7,697,383.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$34,066,416 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

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

	Governmental Activities	
	2018	2017-Restated
Land	\$84,688	\$84,688
Land Improvements	1,129,134	1,245,782
Buildings and Improvements	32,237,726	33,263,074
Furniture and Equipment	576,262	686,194
Vehicles	38,606	14,600
Total Net Capital Assets	<u>\$34,066,416</u>	<u>\$35,294,338</u>

Total Net Capital Assets decreased in 2018 as compared to 2017 because depreciation expense was more than current year additions. See Note 8 to the Basic Financial Statements for further details on the District’s capital assets.

The District had a restatement of capital assets due to having an appraisal completed during the fiscal year. The assets were appraised from \$34,168,006 to \$35,294,338.

**North College Hill City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Debt

At June 30, 2018, the District had \$13,005,876 in debt outstanding, \$209,000 due within one year. Table 5 summarizes total debt outstanding.

**Table 5
Outstanding Debt at Year End**

	<u>2018</u>	<u>2017 - Reclassified</u>
General Obligation Bonds Payable:		
2008 School Improvement Bonds	\$0	\$265,000
2008 Capital Appreciation Bonds	90,000	90,000
Accreted Interest on Capital Appreciation Bonds	468,860	432,153
2010 School Improvement Bonds	0	45,000
2010 Capital Appreciation Bonds	50,000	50,000
Accreted Interest on Capital Appreciation Bonds	112,370	111,114
2008 Certificate of Participation Bonds	3,181,000	3,276,000
2016 Refunding Bonds	8,245,000	8,270,000
Premium on 2016 Refunding Bonds	858,646	906,349
Total Outstanding Debt at Year End	<u>\$13,005,876</u>	<u>\$13,445,616</u>

See Note 9 to the Basic Financial Statements for further details on the District’s obligations.

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 of North College Hill City School District, 1731 Goodman Avenue, Cincinnati, Ohio 45239.

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North College Hill City School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$8,325,325
Receivables (Net):	
Taxes	5,653,956
Accounts	43,037
Intergovernmental	540,779
Prepays	2,969
Inventory	9,863
Nondepreciable Capital Assets	84,688
Depreciable Capital Assets, Net	<u>33,981,728</u>
 Total Assets	 <u>48,642,345</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	571,130
OPEB	6,051,068
	<u>275,753</u>
 Total Deferred Outflows of Resources	 <u>6,897,951</u>
Liabilities:	
Accounts Payable	72,706
Accrued Wages and Benefits	1,494,498
Accrued Interest Payable	51,232
Long-Term Liabilities:	
Due Within One Year	432,344
Due In More Than One Year	
Net Pension Liability	17,767,495
Net OPEB Liability	3,932,013
Other Amounts	<u>14,056,278</u>
 Total Liabilities	 <u>37,806,566</u>
Deferred Inflows of Resources:	
Property Taxes	3,002,509
Pension	1,102,186
OPEB	<u>443,953</u>
 Total Deferred Inflows of Resources	 <u>4,548,648</u>
Net Position:	
Net Investment in Capital Assets	22,212,900
Restricted for:	
Debt Service	812,969
Capital Projects	224,261
Food Service	267,077
Federal Grants	154,420
Other Purposes	23,466
Unrestricted	<u>(10,510,011)</u>
 Total Net Position	 <u>\$13,185,082</u>

See accompanying notes to the basic financial statements.

North College Hill City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$5,760,783	\$390,976	\$299,729	(\$5,070,078)
Special	2,029,712	134,106	2,910,882	1,015,276
Vocational	2,623	0	25,164	22,541
Other	3,458	0	289	(3,169)
Support Services:				
Pupil	1,134,677	0	159,285	(975,392)
Instructional Staff	627,368	948	190,142	(436,278)
General Administration	49,454	0	0	(49,454)
School Administration	647,520	0	9,707	(637,813)
Fiscal	270,476	0	0	(270,476)
Business	195	0	0	(195)
Operations and Maintenance	968,714	2,976	18,759	(946,979)
Pupil Transportation	308,554	0	44,400	(264,154)
Central	5,940	0	0	(5,940)
Operation of Non-Instructional Services	1,182,874	140,045	957,639	(85,190)
Extracurricular Activities	90,415	51,843	0	(38,572)
Interest and Fiscal Charges	479,118	0	0	(479,118)
Total Governmental Activities	\$13,561,881	\$720,894	\$4,615,996	(8,224,991)

General Revenues:

Property Taxes Levied for:

General Purposes	3,842,859
Special Revenue Purposes	40,626
Debt Service Purposes	632,656
Capital Projects Purposes	363,211
Grants and Entitlements, Not Restricted	11,068,232
Unrestricted Contributions	36,854
Investment Earnings	(8,209)
Other Revenues	82,939

Total General Revenues 16,059,168

Change in Net Position 7,834,177

Net Position - Beginning of Year, Restated 5,350,905

Net Position - End of Year \$13,185,082

See accompanying notes to the basic financial statements.

North College Hill City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$7,579,820	\$745,505	\$8,325,325
Receivables (Net):			
Taxes	4,334,372	1,319,584	5,653,956
Accounts	38,501	4,536	43,037
Intergovernmental	0	540,779	540,779
Interfund	95,282	0	95,282
Prepays	2,629	340	2,969
Inventory	0	9,863	9,863
Total Assets	<u>12,050,604</u>	<u>2,620,607</u>	<u>14,671,211</u>
Liabilities:			
Accounts Payable	59,476	13,230	72,706
Accrued Wages and Benefits	1,323,139	171,359	1,494,498
Compensated Absences	44,195	0	44,195
Interfund Payable	0	95,282	95,282
Total Liabilities	<u>1,426,810</u>	<u>279,871</u>	<u>1,706,681</u>
Deferred Inflows of Resources:			
Property Taxes	2,802,447	919,584	3,722,031
Grants and Other Taxes	0	363,131	363,131
Total Deferred Inflows of Resources	<u>2,802,447</u>	<u>1,282,715</u>	<u>4,085,162</u>
Fund Balances:			
Nonspendable	2,629	340	2,969
Restricted	0	1,224,661	1,224,661
Assigned	1,755	0	1,755
Unassigned	7,816,963	(166,980)	7,649,983
Total Fund Balances	<u>7,821,347</u>	<u>1,058,021</u>	<u>8,879,368</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$12,050,604</u>	<u>\$2,620,607</u>	<u>\$14,671,211</u>

See accompanying notes to the basic financial statements.

North College Hill City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2018

Total Governmental Fund Balance \$8,879,368

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 34,066,416

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

Delinquent Property Taxes	\$719,522	
Intergovernmental	<u>363,131</u>	
		1,082,653

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.

(51,232)

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 (1,438,551)

Deferred charge on refunding associated with long-term liabilities
 that are not reported in the funds.

571,130

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

Deferred outflows of resources related to pensions	\$6,051,068	
Deferred inflows of resources related to pensions	(1,102,186)	
Deferred outflows of resources related to OPEB	275,753	
Deferred inflows of resources related to OPEB	<u>(443,953)</u>	
		4,780,682

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

Net Pension Liability	(\$17,767,495)	
Net OPEB Liability	(3,932,013)	
Other Amounts	<u>(13,005,876)</u>	
		<u>(34,705,384)</u>

Net Position of Governmental Activities \$13,185,082

See accompanying notes to the basic financial statements.

North College Hill City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$3,762,694	\$1,012,910	\$4,775,604
Tuition and Fees	525,230	0	525,230
Investment Earnings	(9,839)	1,630	(8,209)
Intergovernmental	13,206,707	2,307,907	15,514,614
Extracurricular Activities	2,178	132,979	135,157
Charges for Services	0	60,517	60,517
Other Revenues	119,506	276	119,782
Total Revenues	17,606,476	3,516,219	21,122,695
Expenditures:			
Current:			
Instruction:			
Regular	7,193,898	377,640	7,571,538
Special	3,478,989	709,825	4,188,814
Vocational	3,293	0	3,293
Other	13,668	1,042	14,710
Support Services:			
Pupil	1,603,076	166,264	1,769,340
Instructional Staff	519,915	187,077	706,992
General Administration	55,494	0	55,494
School Administration	1,514,631	7,845	1,522,476
Fiscal	421,110	14,862	435,972
Business	195	0	195
Operations and Maintenance	1,074,807	111,431	1,186,238
Pupil Transportation	394,263	27,192	421,455
Central	23,255	0	23,255
Operation of Non-Instructional Services	2,940	1,190,961	1,193,901
Extracurricular Activities	198,696	47,202	245,898
Debt Service:			
Principal Retirement	0	430,000	430,000
Interest and Fiscal Charges	0	434,409	434,409
Total Expenditures	16,498,230	3,705,750	20,203,980
Excess of Revenues Over (Under) Expenditures	1,108,246	(189,531)	918,715
Other Financing Sources (Uses):			
Transfers In	0	43,222	43,222
Transfers (Out)	(2,596)	(40,626)	(43,222)
Total Other Financing Sources (Uses)	(2,596)	2,596	0
Net Change in Fund Balance	1,105,650	(186,935)	918,715
Fund Balance - Beginning of Year	6,715,697	1,244,956	7,960,653
Fund Balance - End of Year	\$7,821,347	\$1,058,021	\$8,879,368

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balance - Total Governmental Funds \$918,715

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	\$32,277	
Depreciation Expense	<u>(1,260,199)</u>	(1,227,922)

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

District pension contributions	\$1,328,121	
Pension expense	5,700,471	
District OPEB contributions	43,450	
OPEB expense	<u>608,608</u>	7,680,650

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

Delinquent Property Taxes	\$103,748	
Intergovernmental	<u>169,615</u>	273,363

Repayment of bond and capital lease principal along with accreted interest payments is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 430,000

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. (22,720)

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	(\$195,920)	
Amortization of Bond Premium	47,703	
Amortization of Deferred Charge on Refunding	(31,729)	
Bond Accretion	<u>(37,963)</u>	(217,909)

Change in Net Position of Governmental Activities \$7,834,177

See accompanying notes to the basic financial statements.

North College Hill City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$125,121</u>	<u>\$12,791</u>
Total Assets	<u>125,121</u>	<u>12,791</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>12,791</u>
Total Liabilities	<u>0</u>	<u>\$12,791</u>
Net Position:		
Held in Trust	<u>125,121</u>	
Total Net Position	<u>\$125,121</u>	

See accompanying notes to the basic financial statements.

North College Hill City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions:	
Donations	\$12,500
Investment Earnings	975
	<hr/>
Total Additions	13,475
Deductions:	
Scholarships	20,000
	<hr/>
Total Deductions	20,000
Change in Net Position	(6,525)
Net Position - Beginning of Year	131,646
	<hr/>
Net Position - End of Year	<u>\$125,121</u>

See accompanying notes to the basic financial statements.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 - Description Of The School District

The North College Hill City School District (the "District") was chartered by the Ohio State Legislature in 1832 by state laws 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. The District employs 52 non-certified and 123 certified (including administrative) full-time and part-time employees to provide services to approximately 1,728 students in grades K through 12 and various community groups. It currently operates one elementary school (grades PK-4), one middle school, (grades 5-8) and one high school (grades 9-12).

Note 2 - Summary Of Significant Accounting Policies

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

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The District consists of all funds, departments, boards, and agencies that are not legally separate from the District. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

**North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

JOINTLY GOVERNED ORGANIZATIONS

The Hamilton Clermont Cooperative Information Technology Center (HCC):

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

PUBLIC ENTITY RISK POOL

Cincinnati USA Regional Chamber Workers' Compensation Group Retro Plan:

The District participates in the Cincinnati USA Regional Chamber Workers' Compensation Group Retro Plan (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories: governmental and fiduciary.

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

agreement for individuals, private organizations, or other governments, and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two fiduciary funds: a private purpose trust fund used to account for college scholarship programs for students and an agency fund used to account for student managed activity programs.

Basis of Presentation and Measurement Focus

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

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

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

Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, or 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 fiscal year-end: property taxes available as an advance, tuition, student fees and grants.

Deferred Outflows 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, OPEB, and pension are reported on the governmental-wide statement of net position. For more pension and OPEB related information, see Notes 11 and 12.

Deferred Inflows of Resources – 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, OPEB, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide Statement of Net Position and the governmental fund financial statements. Grants and other taxes have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows related to pension and OPEB are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 11 and 12.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Cash and Investments

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, food service fund, and the private purpose trust funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and expenditure/expense is reported in the year in which services are consumed.

Capital Assets

Governmental capital assets are those assets that are specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; however, 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. The District does not possess infrastructure.

**North College Hill City School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2018**

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” Interfund balances are eliminated in the statement of net position.

Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2018, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with years of service were considered expected to become eligible to retire.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2018, and reduced to the maximum payment allowed by labor contract and/or statute.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees will be paid.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and certificates of participation are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Pensions/Other Postemployment Benefits (OPEB)

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

Fund Balance

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

Net Position

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

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

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

Estimates

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

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Note 3 - Accountability

Deficit Fund Balances

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

<u>Other Governmental Funds:</u>	<u>Deficits</u>
Title VI-B Grant	\$63,177
Title I Grant	85,523
Title II-A	17,782
Title III	158
Total	<u>\$ 166,640</u>

These funds complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

Note 4 – Deposits And Investments

The District maintains a cash and investment pool used by all funds. Each fund type’s portion of this pool is displayed in the basic financial statements as “Equity in Pooled Cash and Cash Equivalents.” Statutes require the classification of monies held by the District into three categories.

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

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

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

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

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio; or Ohio Local Governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

**North College Hill City School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2018**

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, \$2,209,894 of the District's bank balance of \$2,922,327 was exposed to custodial credit risk because it was uninsured and collateralized.

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

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

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

Investments: As of June 30, 2018, the district had the following investments and maturities:

	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Money Market Funds	\$41,290	N/A	0.00
Federal Home Loan Bank	635,735	Level 2	3.06
Federal Home Loan Mortgage Corporation	331,170	Level 2	4.30
Federal National Mortgage Association	298,768	Level 2	2.32
Federal Farm Credit Bank	815,672	Level 2	3.28
Commercial Paper	1,858,190	Level 2	0.05
Negotiable CDs	1,743,250	Level 2	2.74
Total Fair Value	\$5,724,075		
Portfolio Weighted Average Maturity			2.08

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

Interest Rate Risk

The District's investment policy follows State statute, which requires that an investment mature within five years of the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

North College Hill City School District
Notes to the Basic Financial Statements
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Credit Risk

It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Mortgage, Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The District's investments in Commercial Paper were rated A-1+ by Standard & Poor's and P-1 by Moody's Investors Service. The Money Market Funds and Negotiable CDs were not rated.

Concentration of Credit Risk

The District's investment policy requires investments to be diversified to reduce the risk of loss. The District's policy allows investment in Federal Agencies or Instrumentalities. The District has invested 14% Federal Farm Credit Bank, 33% in Commercial Paper, 6% in Federal Home Loan Mortgage, 5% in Federal National Mortgage Association, 30% in Negotiable CDs, 1% in Money Market Funds and 11% in Federal Home Loan Bank.

Custodial Credit Risk

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

Note 5 - Interfund Transactions

Interfund balances at June 30, 2018 as reported on the fund statements, consist of the following individual interfund loans receivable and payable and transfer in and out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund (Major Fund)	\$95,282	\$0	\$0	\$2,596
Other Government Funds	0	95,282	43,222	40,626
Total All Funds	<u>\$95,282</u>	<u>\$95,282</u>	<u>\$43,222</u>	<u>\$43,222</u>

\$40,626 was transferred from the Capital Improvement Fund to the Facilities Maintenance Fund. This amount is required to be used for future maintenance.

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2018 are reported on the Statement of Net Position.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018 are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real and public utility property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit of deferred inflows of resources— property taxes.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

	<u>2018 Amount</u>
Agricultural/Residential and Other Real Estate	\$113,739,850
Public Utility Property	<u>7,849,800</u>
Total Assessed Value	<u><u>\$121,589,650</u></u>

North College Hill City School District
Notes to the Basic Financial Statements
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Note 7 – Receivables

Receivables at June 30, 2018 consisted of taxes, accounts, intergovernmental, 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. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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

Governmental activities:

Property Taxes	\$5,653,956
Accounts	43,037
Intergovernmental	<u>540,779</u>
Total	<u><u>\$6,237,772</u></u>

Note 8 - Capital Assets

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

	Restated Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$84,688	\$0	\$0	\$84,688
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,278,614	0	0	2,278,614
Buildings and Improvements	41,966,683	0	0	41,966,683
Furniture and Equipment	3,246,753	5,277	0	3,252,030
Vehicles	<u>59,207</u>	<u>27,000</u>	<u>0</u>	<u>86,207</u>
Totals at Historical Cost	<u>47,635,945</u>	<u>32,277</u>	<u>0</u>	<u>47,668,222</u>
Less Accumulated Depreciation:				
Land Improvements	1,032,832	116,648	0	1,149,480
Buildings and Improvements	8,703,609	1,025,348	0	9,728,957
Furniture and Equipment	2,560,559	115,209	0	2,675,768
Vehicles	<u>44,607</u>	<u>2,994</u>	<u>0</u>	<u>47,601</u>
Total Accumulated Depreciation	<u>12,341,607</u>	<u>1,260,199</u>	<u>0</u>	<u>13,601,806</u>
Governmental Activities Capital Assets, Net	<u><u>\$35,294,338</u></u>	<u><u>(\$1,227,922)</u></u>	<u><u>\$0</u></u>	<u><u>\$34,066,416</u></u>

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,182,807
Support Services:	
Pupils	563
Instructional Staff	17,395
School Administration	28,822
Fiscal	1,152
Operations & Maintenance	10,163
Operation of Non-Instructional Services	19,297
Total Depreciation Expense	<u>\$1,260,199</u>

Note 9 - Long-Term Obligations

During the fiscal year 2018, the following changes occurred in governmental activities long-term obligations:

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds:					
General Obligation Bonds:					
2008 School Improvement Bonds	\$265,000	\$0	\$265,000	\$0	\$0
Capital Appreciation Bonds	90,000	0	0	90,000	45,000
Accreted Interest	432,153	36,707	0	468,860	0
2010 School Improvements Bonds	45,000	0	45,000	0	0
Capital Appreciation Bonds	50,000	0	0	50,000	15,000
Accreted Interest	111,114	1,256	0	112,370	0
2008 Certificate of Participation Bonds	3,276,000	0	95,000	3,181,000	99,000
2016 Refunding Bonds	8,270,000	0	25,000	8,245,000	50,000
Premium	906,349	0	47,703	858,646	0
Subtotal Bonds	13,445,616	37,963	477,703	13,005,876	209,000
Capital Leases:					
Compensated Absences	1,255,728	341,934	114,916	1,482,746	223,344
Subtotal Bonds & Other Amounts	14,701,344	379,897	592,619	14,488,622	432,344
<u>Net Pension Liability:</u>					
STRS	19,536,517	0	5,250,627	14,285,890	0
SERS	4,224,710	0	743,105	3,481,605	0
Total Net Pension Liability	23,761,227	0	5,993,732	17,767,495	0
<u>Net OPEB Liability:</u>					
STRS	3,121,374	0	775,015	2,346,359	0
SERS	1,662,875	0	77,221	1,585,654	0
Total Net OPEB Liability	4,784,249	0	852,236	3,932,013	0
Total Long-term Obligations	<u>\$43,246,820</u>	<u>\$379,897</u>	<u>\$7,438,587</u>	<u>\$36,188,130</u>	<u>\$432,344</u>

School Improvement Bonds – In March 2008, North College Hill City School District issued general obligation bonds for construction of new school facilities. The bonds were issued for \$9,500,000 at a variable interest rate and mature December, 2035. Of these bonds, \$90,000 are classified as capital appreciation bonds. The capital appreciation bonds will mature in 2018 and 2019 at \$300,000 and \$305,000 respectively. The \$239,788 premium on the issuance of the bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remainder of 26 years. The bonds will be retired through the Bond Retirement Fund using tax revenues.

For fiscal year 2018, the capital appreciation bonds were accreted \$36,707.

In December 2010, North College Hill City School District issued general obligation bonds to pay off a previous note that was issued for the construction of new school facilities. The bonds were issued for \$1,325,000 at a variable interest rate and mature December 2035. Of these bonds, \$50,000 are classified as capital appreciation bonds. The capital appreciation bonds will mature in 2018, 2019, and 2020 at \$50,000 each. The \$38,625 premium on the issuance of the bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remainder of 23 years. The bonds will be retired through the Bond Retirement Fund using tax revenues.

For fiscal year 2018, the capital appreciation bonds were accreted \$1,256.

North College Hill City School District
Notes to the Basic Financial Statements
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Advance Refunding

On March 29, 2017 the District issued \$7,340,000 and \$995,000 in Current Interest Bonds with an interest rate of between 1.09% and 4.0% which was used to advance refund \$7,390,000 of the outstanding 2008 Bonds and \$945,000 of the outstanding 2010 Bonds respectively. The net proceeds of \$9,289,052 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bonds issues. As a result, \$8,335,000 of the 2008 and 2010 Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

The District advance refunded 2008 and 2010 Bonds to reduce its total debt service payments by \$917,418 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$760,003.

Pursuant to changes that became effective on September 14, 2000, Section 3318.05 of the Ohio Revised Code was amended eliminating the requirement that certain school districts receiving State classroom facilities assistance repay one-half of the required twenty-three year one-half mill levy. From that date forward any school district that had previously been required to make repayment has been directed to cease making the payments to the Ohio School Facilities Commission and to instead deposit one hundred percent of the proceeds in the Classroom Facilities Maintenance Non-major Special Revenue Fund designated by the Auditor of State.

The annual requirements to retire the general obligation debt outstanding at June 30, 2018 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$50,000	\$276,425	\$326,425	\$60,000	\$290,000	\$350,000
2020	50,000	275,675	325,675	65,000	290,000	355,000
2021	335,000	271,950	606,950	15,000	35,000	50,000
2022	380,000	309,950	689,950	0	0	0
2023	390,000	297,600	687,600	0	0	0
2024-2028	2,335,000	1,118,450	3,453,450	0	0	0
2029-2033	2,770,000	673,200	3,443,200	0	0	0
2034-2036	1,935,000	117,900	2,052,900	0	0	0
Total	\$8,245,000	\$3,341,150	\$11,586,150	\$140,000	\$615,000	\$755,000

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2018:

**North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

Certificates of Participation

Fiscal Year Ending June 30	Total Payment
2019	\$ 240,017
2020	241,428
2021	242,568
2022	242,460
2023	244,082
2024-2028	1,227,557
2029-2033	1,322,754
2034-2036	985,791
Total	<u>4,746,657</u>
Less: Amount representing interest	<u>(1,565,657)</u>
Total Principal Outstanding	<u><u>\$ 3,181,000</u></u>

The certificate of participation obligation relates to the construction of additions and improvements to the high school and middle school. The District is leasing a portion of the project from the Columbus Port Authority. The Columbus Port Authority has assigned US Bank as trustee. US Bank deposited \$3,965,000 in the District's name with the escrow agent for the construction projects in fiscal year 2008. During 2008, the District requested all of the funds previously held by the escrow agent. The District makes semi-annual payments to US Bank. The payments for this debt will be paid from the Permanent Improvement Fund using tax revenues.

Compensated absences will be paid from the fund from which the employee is paid.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

Note 10 - Risk Management

Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2018, the District contracted with Utica National Insurance Group for liability, property, and fleet insurance. Coverages provided by the Utica National Insurance Group are as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents	\$46,400,317
Deductible	2,500
 Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	2,000,000

**North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

Deductible	2,500
General Liability	
Per occurrence combined single limit	1,000,000
Annual aggregate limit	3,000,000
Employee Benefits Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	3,000,000
Stop Gap	
Each accident	1,000,000
Disease each employee	1,000,000
Disease policy limit	1,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	1,000,000
Medical payments limit	5,000
Uninsured/underinsured motorists coverage	1,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	500
Collision deductible	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers' Compensation

The District participates in the Cincinnati USA Regional Chamber Workers' Compensation Group Retro Plan (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

Each participant pays its workers' compensation premium to the state based on their individual experience rate. The BWC will evaluate the total performance of the group annually for 3 years beginning one year after the end of the program year. If the group performs well, the BWC will issue a refund. If the group has higher claims cost (after the claims and premium are applied to a formula) than the premium paid, the group participants will receive an assessment (for Sheakley groups, that risk is a 10% assessment over the 3 years). The district receives a percentage of that refund relative to the premium contributed to that group. Participation in the GRP is limited to entities that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control and actuarial services to the GRP. Each fiscal year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

Note 11 - 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

North College Hill City School District
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For the Fiscal Year Ended June 30, 2018

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The contractually required contribution to SERS was \$275,913 for fiscal year 2018. Of this amount \$55,467 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.

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

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

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

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

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

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

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was \$1,052,208 for fiscal year 2018. Of this amount \$189,564 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,481,605	\$14,285,890	\$17,767,495
Proportion of the Net Pension Liability:			
Current Measurement Date	0.05827170%	0.06013791%	
Prior Measurement Date	<u>0.05772190%</u>	<u>0.05836498%</u>	
Change in Proportionate Share	0.00054980%	0.00177293%	
Pension Expense	(\$151,107)	(\$5,549,364)	(\$5,700,471)

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$149,836	\$551,654	\$701,490
Changes of assumptions	180,036	3,124,481	3,304,517
Changes in employer proportionate share of net pension liability	24,732	692,208	716,940
Contributions subsequent to the measurement date	275,913	1,052,208	1,328,121
Total Deferred Outflows of Resources	<u>\$630,517</u>	<u>\$5,420,551</u>	<u>\$6,051,068</u>
Differences between expected and actual experience	\$0	\$115,139	\$115,139
Net difference between projected and actual earnings on pension plan investments	16,526	471,451	487,977
Changes in employer proportionate share of net pension liability	48,312	450,758	499,070
Total Deferred Inflows of Resources	<u>\$64,838</u>	<u>\$1,037,348</u>	<u>\$1,102,186</u>

\$1,328,121 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$113,418	\$613,643	\$727,061
2020	198,344	1,346,994	1,545,338
2021	59,167	1,120,791	1,179,958
2022	(81,163)	249,567	168,404
Total	<u>\$289,766</u>	<u>\$3,330,995</u>	<u>\$3,620,761</u>

Actuarial Assumptions - SERS

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

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

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

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

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

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

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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Discount Rate

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

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$4,831,563	\$3,481,605	\$2,350,740

Changes in Benefit Terms

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

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$20,478,336	\$14,285,890	\$9,069,681

Changes in Assumptions

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

Changes in Benefit Terms

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

Note 12 – Defined Benefit Other Postemployment Benefits (OPEB) Plans

Net Other Postemployment Benefits (OPEB) Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was \$33,231.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$43,450 for fiscal year 2018. Of this amount \$33,231 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,585,654	\$2,346,359	\$3,932,013
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.05908380%	0.06013791%	
Prior Measurement Date	0.05833892%	0.05836498%	
Change in Proportionate Share	<u>0.00074488%</u>	<u>0.00177293%</u>	
OPEB Expense	\$93,830	(\$702,438)	(\$608,608)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$135,446	\$135,446
Changes in employer proportionate share of net pension liability	15,585	81,272	96,857
Contributions subsequent to the measurement date	<u>43,450</u>	<u>0</u>	<u>43,450</u>
Total Deferred Outflows of Resources	<u>\$59,035</u>	<u>\$216,718</u>	<u>\$275,753</u>
Deferred Inflows of Resources			
Changes of assumptions	\$150,470	\$189,007	\$339,477
Net difference between projected and actual earnings on pension plan investments	<u>4,187</u>	<u>100,289</u>	<u>104,476</u>
Total Deferred Inflows of Resources	<u>\$154,657</u>	<u>\$289,296</u>	<u>\$443,953</u>

\$43,450 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$49,918)	(\$20,454)	(\$70,372)
2020	(49,918)	(20,454)	(70,372)
2021	(38,189)	(20,454)	(58,643)
2022	(1,047)	(20,454)	(21,501)
2023	0	4,619	4,619
Thereafter	<u>0</u>	<u>4,619</u>	<u>4,619</u>
Total	<u>(\$139,072)</u>	<u>(\$72,578)</u>	<u>(\$211,650)</u>

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Notes to the Basic Financial Statements
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Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

Discount Rate

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

**North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

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

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

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	\$1,914,879	\$1,585,654	\$1,324,824
	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	\$1,286,639	\$1,585,654	\$1,981,405

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Actuarial Assumptions - STRS

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

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

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

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

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

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

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

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

**North College Hill City School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2018**

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

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

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	\$3,149,950	\$2,346,359	\$1,711,260

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$1,630,150	\$2,346,359	\$3,288,975

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the

**North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

Note 13 – Contingencies

Foundation Funding

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

Grants

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

Litigation

The District is involved in no material litigation as either plaintiff or defendant.

Note 14 - Statutory Reserves

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2018, the reserve activity was as follows:

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North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2017	\$0
Current Year Set Aside Requirements	303,406
Qualified Disbursements	(478,384)
Current Year Offsets	0
Set Aside Reserve Balance as of June 30, 2018	<u>(\$174,978)</u>
Restricted Cash as of June 30, 2018	<u>\$0</u>

Note 15 – Fund Balances

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

Fund Balances	General	Nonmajor Governmental Funds	Total
Nonspendable:			
Prepays	<u>\$2,629</u>	<u>\$340</u>	<u>\$2,969</u>
Total Nonspendable	<u>2,629</u>	<u>340</u>	<u>2,969</u>
Restricted for:			
Food Service Operation	0	272,035	272,035
Local Grant	0	17,257	17,257
OSFC	0	18	18
Replacement	0	9,258	9,258
OSFC Maintenance	0	6,209	6,209
Debt Service	0	761,368	761,368
Permanent Improvements	<u>0</u>	<u>158,516</u>	<u>158,516</u>
Total Restricted	<u>0</u>	<u>1,224,661</u>	<u>1,224,661</u>
Assigned to:			
Public Schools	<u>1,755</u>	<u>0</u>	<u>1,755</u>
Total Assigned	<u>1,755</u>	<u>0</u>	<u>1,755</u>
Unassigned (Deficit)	<u>7,816,963</u>	<u>(166,980)</u>	<u>7,649,983</u>
Total Fund Balance	<u>\$7,821,347</u>	<u>\$1,058,021</u>	<u>\$8,879,368</u>

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 – Implementation of New Accounting Principles and Restatement of Net Position

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

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

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

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

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

Net position June 30, 2017	\$8,976,844
Adjustments:	
Net OPEB Liability	(4,784,249)
Deferred Outflow - Payments Subsequent to Measurement Date	31,978
Restatement of Net Capital Assets	1,126,332
Restated Net Position June 30, 2017	<u><u>\$5,350,905</u></u>

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

The District also made a restatement to Net Capital Assets due to a new appraisal.

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REQUIRED SUPPLEMENTARY INFORMATION



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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.06013791%	0.05836498%	0.05674298%	0.06068466%	0.06068466%
District's Proportionate Share of the Net Pension Liability	\$14,285,890	\$19,536,517	\$15,682,100	\$14,760,609	\$17,535,389
District's Covered-Employee Payroll	\$6,635,057	\$5,953,114	\$6,058,714	\$6,677,238	\$6,071,230
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	215.31%	328.17%	258.84%	221.06%	288.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.05827170%	0.05772190%	0.05923600%	0.05971700%	0.05971700%
District's Proportionate Share of the Net Pension Liability	\$3,481,605	\$4,224,710	\$3,380,064	\$3,022,243	\$3,552,242
District's Covered-Employee Payroll	\$1,950,114	\$1,676,057	\$2,138,323	\$1,752,785	\$1,690,013
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	178.53%	252.06%	158.07%	172.43%	210.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information.

North College Hill City School District
 Required Supplementary Information
 Schedule of District Contributions
 for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$1,052,208	\$928,908	\$833,436	\$848,220	\$868,041	\$829,884	\$869,160	\$966,780	\$971,604	\$943,380
Contributions in Relation to the Contractually Required Contribution	(1,052,208)	(928,908)	(833,436)	(848,220)	(868,041)	(829,884)	(869,160)	(966,780)	(971,604)	(943,380)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$7,515,771	\$6,635,057	\$5,953,114	\$6,058,714	\$6,677,238	\$6,071,230	\$6,138,701	\$6,665,097	\$7,044,140	\$6,809,939
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

North College Hill City School District
 Required Supplementary Information
 Schedule of District Contributions
 for Net Pension Liability
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$275,913	\$273,016	\$234,648	\$281,832	\$242,936	\$286,656	\$282,192	\$345,120	\$306,744	\$309,624
Contributions in Relation to the Contractually Required Contribution	(275,913)	(273,016)	(234,648)	(281,832)	(242,936)	(286,656)	(282,192)	(345,120)	(306,744)	(309,624)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$2,043,800	\$1,950,114	\$1,676,057	\$2,138,323	\$1,752,785	\$1,690,013	\$1,626,900	\$1,586,385	\$1,495,374	\$1,513,161
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information.

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.06013791%	0.05836498%
District's Proportionate Share of the Net OPEB Liability	\$2,346,359	\$3,121,374
District's Covered-Employee Payroll	\$6,635,057	\$5,953,114
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	35.36%	52.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.05908380%	0.05833892%
District's Proportionate Share of the Net OPEB Liability	\$1,585,654	\$1,662,875
District's Covered-Employee Payroll	\$1,950,114	\$1,676,057
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	81.31%	99.21%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$7,515,771	\$6,635,057	\$5,953,114
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

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

See accompanying notes to the required supplementary information.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution to OPEB (2)	\$43,450	\$31,978	\$28,850
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(43,450)</u>	<u>(31,978)</u>	<u>(28,850)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$2,043,800	\$1,950,114	\$1,676,057
Contributions to OPEB as a Percentage of Covered-Employee Payroll	2.13%	1.64%	1.72%

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

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,665,199	\$3,707,272	\$3,710,769	\$3,497
Tuition and Fees	497,526	503,237	503,712	475
Investment Earnings	54,835	55,465	55,517	52
Intergovernmental	13,044,521	13,194,262	13,206,707	12,445
Other Revenues	115,920	117,250	117,361	111
Total Revenues	17,378,001	17,577,486	17,594,066	16,580
Expenditures:				
Current:				
Instruction:				
Regular	6,718,071	7,058,522	7,044,871	13,651
Special	3,291,612	3,458,421	3,451,732	6,689
Vocational	3,140	3,299	3,293	6
Other	13,034	13,694	13,668	26
Support Services:				
Pupil	1,530,397	1,607,953	1,604,843	3,110
Instructional Staff	506,110	531,758	530,730	1,028
General Administration	53,832	56,560	56,451	109
School Administration	1,408,520	1,479,899	1,477,037	2,862
Fiscal	398,023	418,194	417,385	809
Business	186	195	195	0
Operations and Maintenance	1,033,006	1,085,356	1,083,257	2,099
Pupil Transportation	347,055	364,642	363,937	705
Central	22,176	23,300	23,255	45
Operation of Non-Instructional Services	2,981	3,132	3,126	6
Extracurricular Activities	192,292	202,037	201,646	391
Total Expenditures	15,520,435	16,306,962	16,275,426	31,536
Excess of Revenues Over (Under) Expenditures	1,857,566	1,270,524	1,318,640	48,116
Other Financing Sources (Uses):				
Transfers (Out)	(13,577)	(14,265)	(14,237)	28
Total Other Financing Sources (Uses)	(13,577)	(14,265)	(14,237)	28
Net Change in Fund Balance	1,843,989	1,256,259	1,304,403	48,144
Fund Balance - Beginning of Year	6,392,980	6,392,980	6,392,980	0
Fund Balance - End of Year	\$8,236,969	\$7,649,239	\$7,697,383	\$48,144

See accompanying notes to the required supplementary information.

North College Hill City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2018

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is 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 2018.

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

North College Hill City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2018

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

Net Change in Fund Balance	
	General
GAAP Basis	\$1,105,650
Revenue Accruals	(12,410)
Expenditure Accruals	222,804
Transfers (Out)	(11,641)
Budget Basis	\$1,304,403

Note 2 - SERS Change in Assumptions-Net Pension Liability

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

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

Changes in Assumptions

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

Changes in Benefit Terms

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

Note 4 - SERS Change in Assumptions-Net OPEB Liability

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

North College Hill City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2018

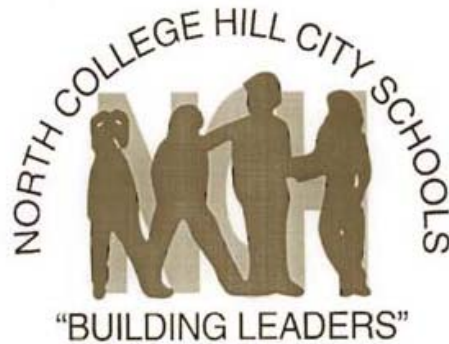
Note 5 - STRS Change in Assumptions-Net OPEB Liability

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

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

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NORTH COLLEGE HILL CITY SCHOOL DISTRICT



Single Audit Reports

June 30, 2018

PLATTENBURG
Certified Public Accountants

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	3L70	10.553	\$287,153	\$0
National School Lunch Program	3L60	10.555	541,527	74,555
Summer Food Service Program for Children	3GE0	10.559	26,007	0
Total Child Nutrition Cluster			<u>854,687</u>	<u>74,555</u>
Total U.S. Department of Agriculture			<u>854,687</u>	<u>74,555</u>
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	367,919	0
Special Education-Preschool Grants	3C50	84.173	5,741	0
Total Special Education Cluster			<u>373,660</u>	<u>0</u>
Title I Grants to Local Educational Agencies	3M00	84.010	738,770	0
English Language Acquisition State Grants	3Y70	84.365	1,402	0
Supporting Effective Instruction State Grants	3Y60	84.367	90,748	0
Student Support and Academic Enrichment Program	3H10	84.424	14,901	0
Passed Through Great Oaks Career Campuses:				
Career & Technical Education Basic Grants to States	GO	84.048	196	0
Total U.S. Department of Education			<u>1,219,677</u>	<u>0</u>
Total Federal Assistance			<u>\$2,074,364</u>	<u>\$74,555</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of North College Hill City School District (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - 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 D – FOOD DONATION PROGRAM

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
North College Hill City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North College Hill City School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2018, wherein we noted the District adopted GASB No. 75 as disclosed in Note 16.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 13, 2018

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

Board of Education
North College Hill City School District

Report on Compliance for Each Major Federal Program

We have audited the North College Hill City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 13, 2018, which contained unmodified opinions on those financial statements, wherein we noted the District adopted GASB No. 75 as disclosed in Note 16. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 13, 2018

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes

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

None

Section III – Federal Award Findings and Questioned Costs

None

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Summary of Prior Audit Findings and Questioned Costs:

None

OHIO AUDITOR OF STATE
KEITH FABER



NORTH COLLEGE HILL CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2019**