MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY

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INDEPENDENT AUDITOR'S REPORT

Monroe Local School District
Butler County
500 Yankee Road
Monroe, Ohio 45050

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroe Local School District, Butler County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

January 28, 2019

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As management of the Monroe Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the governmental financial statements and the notes to the financial statements to enhance their understanding of the School District's performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

During fiscal year 2018, the School District remained financially strong ending the year with a net position of $10,021,326. This represented an increase of $14,656,299 from fiscal year 2017. Total governmental revenues increased $1,856,775. Total governmental expenses decreased by $11,018,992. Expenses decreased mainly due to a decrease in the State Teachers Retirement System (STRS) net pension liability. STRS altered assumptions about the long-term rate of return on investments, and assumed no cost of living increases.

The District is mostly funded by local taxpayers. There are two continuing Substitute Levies generating a total of $5,781,000. There is also a 20 mill continuing levy which means that any increase in property values increases revenue to the School District.

The Ohio Department of Education provides revenue through the School Foundation Program, and while there is a formula in place, the actual funding is "capped" for the School District so that funding may not increase more than a specific percentage. In fiscal year 2018, the foundation funding formula calculated that the School District should have received $13.8 million dollars in State foundation revenue. However, because the School District was capped, the School District only received $7.3 million in State foundation revenue for fiscal year 2018.

In fiscal year 2018, the School District Board's of Education negotiated a new, three year contract with the Monroe Education Association for both teaching and non-teaching staff. The School District strives to remain competitive in attracting and maintaining quality staff, within the limits of the financial resources available.

The School District continues to experience growth in enrollment. Due to this growth, several spaces throughout the buildings have been repurposed to accommodate instruction. During the fiscal year, the School District worked with the Ohio Facilities Construction Commission (OFCC) to update the School District's Master Plan and discussed the critical need for space throughout all grades. The School District also worked closely with a Facilities Committee comprised of parents, teachers, administrators, and community members. The Committee involved all stakeholders in a plan to build a new school and repurpose space at the main campus.

The School District qualified for nearly 62 percent State funding through OFCC for the project. However, the School District ranked 20th on the list for State funding; which means State funding for a new building will not be available for at least three years. The School District is currently looking into other funding options to provide more space for instruction and student services.

Using the Basic Financial Statements

This report consists of a series of financial statements and the notes to the financial statements. These statements are organized so the reader can understand Monroe Local School District as a whole, an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the School District as a whole, and present 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 School District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Monroe Local School District are the General Fund and the Bond Retirement Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2018?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

Governmental Funds - Most of the School 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 fiscal 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 School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

Fiduciary Funds - The School District's fiduciary funds consist of two agency funds and a private purpose trust fund. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal years 2018 and 2017:

(Table 1)
Net Position

	2018	Restated 2017	Change
Assets:			
Current and Other Assets	$47,282,956	$41,347,400	$5,935,556
Capital Assets, Net	36,663,523	37,284,724	(621,201)
Total Assets	83,946,479	78,632,124	5,314,355
Deferred Outflows of Resources:			
Pension	11,029,275	8,499,268	2,530,007
OPEB	773,893	53,218	720,675
Total Deferred Outflows of Resources	11,803,168	8,552,486	3,250,682
Liabilities:			
Current Other Liabilities	2,511,625	2,205,001	306,624
Long-Term Liabilities:			
Due Within One Year	1,334,116	1,207,125	126,991
Due in More Than One Year:			
Net Pension Liability	27,082,301	34,680,010	(7,597,709)
Net OPEB Liability	6,240,953	7,027,369	(786,416)
Other Amounts	26,794,344	27,848,070	(1,053,726)
Total Liabilities	63,963,339	72,967,575	(9,004,236)
Deferred Inflows of Resources:			
Deferred Gain on Refunding	222,988	244,029	(21,041)
Property Taxes	16,283,874	15,391,350	892,524
Revenue in Lieu of Taxes	3,611,595	3,096,521	515,074
Pension	949,578	120,108	829,470
OPEB	696,947	0	696,947
Total Deferred Inflows of Resources	21,764,982	18,852,008	2,912,974
Net Position:			
Net Investment in Capital Assets	10,228,388	10,374,480	(146,092)
Restricted	5,525,257	4,674,265	850,992
Unrestricted	(5,732,319)	(19,683,718)	13,951,399
Total Net Position	$10,021,326	($4,634,973)	$14,656,299

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School 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 School 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 School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

In accordance with GASB 68 and GASB 75, the School 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 School 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 $2,339,178 to ($4,634,973).

Total assets of governmental activities increased $5,314,355. Current and other assets increased $5,935,556. The largest increase was in Cash and Cash Equivalents, which was mainly due to revenues exceeding expenditures. Capital Assets decreased $621,201, due to current year depreciation exceeding current year additions.

Total liabilities decreased $9,004,236 mainly due to changes in assumptions for the net pension liability from the pension systems.

Unrestricted net position increased $13,951,399, mainly due to the large decrease in the net pension liability.

Table 2 shows the changes in net position for fiscal year 2018 compared to fiscal year 2017.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants, and contributions. General Revenues include property taxes, unrestricted grants, such as State foundation support, unrestricted contributions, unrestricted interest, and revenue in lieu of taxes.

(Table 2)
Change in Net Position

	2018	2017	Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	$2,225,045	$1,959,389	$265,656
Operating Grants, Contributions and Interest	2,558,702	2,217,309	341,393
Capital Grants and Contributions	20,000	20,000	0
Total Program Revenues	4,803,747	4,196,698	607,049
General Revenues:			
Property Taxes	14,143,165	13,266,289	876,876
Grants and Entitlements not Restricted to Specific Programs	8,590,886	8,780,406	(189,520)
Contributions not Restricted to Specific Programs	19,598	17,165	2,433
Interest	316,867	138,715	178,152
Revenue in Lieu of Taxes	3,611,595	3,222,490	389,105
Miscellaneous	104,388	111,708	(7,320)
Total General Revenues	26,786,499	25,536,773	1,249,726
Total Revenues	31,590,246	29,733,471	1,856,775
Program Expenses:			
Instruction:			
Regular	6,063,263	12,372,761	(6,309,498)
Special	1,996,676	3,346,836	(1,350,160)
Student Intervention Services	37,476	28,950	8,526
Support Services:			
Pupils	1,278,384	1,504,494	(226,110)
Instructional Staff	632,551	1,240,370	(607,819)
Board of Education	111,205	85,825	25,380
Administration	1,126,923	1,892,487	(765,564)
Fiscal	651,616	656,324	(4,708)
Business	44,319	136,633	(92,314)
Operation and Maintenance of Plant	1,463,437	2,088,583	(625,146)
Pupil Transportation	1,629,553	1,597,964	31,589
Central	141,980	28,676	113,304
Operation of Non-Instructional Services	883,862	951,374	(67,512)
Extracurricular Activities	(140,133)	887,599	(1,027,732)
Interest and Fiscal Charges	1,012,835	1,134,063	(121,228)
Total Expenses	16,933,947	27,952,939	(11,018,992)
Increase in Net Position	14,656,299	1,780,532	12,875,767
Net Position at Beginning of Year - Restated (See Note 3)	(4,634,973)	N/A	N/A
Net Position at End of Year	$10,021,326	($4,634,973)	$14,656,299

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 $53,218 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 $728,600. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$16,933,947
Negative OPEB expense under GASB 75	728,600
2018 contractually required contribution	81,544
Adjusted 2018 program expenses	17,744,091
Total 2017 program expenses under GASB 45	27,952,939
Decrease in program expenses not related to OPEB	($10,208,848)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 12) As a result of these changes, pension expense decreased from $3,237,241 in fiscal year 2017 to a negative pension expense of $7,325,329 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses:	2018 Program Expense Related to Negative Pension Expense
Instruction:	
Regular	($4,586,493)
Special	(1,021,779)
Support Services:	
Pupils	(246,196)
Instructional Staff	(227,892)
Board of Education	(16)
Administration	(490,030)
Fiscal	(278)
Business	(56,987)
Operation of Non-Instructional Services	(281)
Extracurricular Activities	(695,377)
Total Expenses	($7,325,329)

Governmental Activities

The School District's governmental activities revenues exceeded expenses during fiscal year 2018 by $14,656,299. Property tax revenue increased due to a revaluation of property values. Grants and entitlements not restricted to specific programs and property taxes made up 84.9 percent of general revenues for governmental activities of the Monroe Local School District for fiscal year 2018.

Expenses decreased by $11,018,992 primarily due to the changes in assumptions of the pension systems.

The School District's Funds

The School District's major funds are accounted for using the modified accrual basis of accounting and include the General Fund and Bond Retirement Fund. All governmental funds had total revenues of $31,383,008 and expenditures of $27,369,200. The two major funds accounted for 92.2 percent and 91.7 percent of revenues and expenses, respectively.

The net change in fund balance for the fiscal year in the General Fund was an increase of $3,354,400. This was primarily due to the School District closely monitoring expenditures, and revenue increases from the prior fiscal year. Property tax revenue increased due to the County reappraising property values in 2017. The increased revenue and controls over expenditures resulted in revenue exceeding expenditures for the fiscal year.

The Bond Retirement Fund saw a decrease of $75,332. This is mainly due to principal and interest payments exceeding revenue.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. During the course of fiscal year 2018, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was $639,548 above the final budgeted amount in the General Fund.

For the General Fund, original budget basis revenues were $25,693,419, with final budget estimates of $27,047,048. The difference was primarily due to an increase in tuition and fees and revenue in lieu of taxes. Tuition and fees increased due to an increase in open enrollment and tuition payments from other districts. Revenue in lieu of taxes increased due to additional parcels being developed in the tax increment financing area. Actual revenues were $27,756 below final budget estimates.

Original budget basis expenditures were $26,358,503, while final budgeted expenditures were $24,263,322. Actual expenditures were $623,721 below final budgeted expenditures. The School District closely monitored expenditures during the fiscal year.

Capital Assets

Table 3 shows fiscal year 2018 balances compared to fiscal year 2017.

Table 3
Capital Assets (Net of Depreciation) at June 30,

	2018	2017
Land	$2,475,849	$2,475,849
Land Improvements	191,304	197,033
Buildings and Improvements	33,064,891	33,651,029
Furniture and Equipment	900,262	928,758
Vehicles	31,217	32,055
Totals	$36,663,523	$37,284,724

Overall capital assets decreased $621,201 from fiscal year 2017, as depreciation exceeded additions. For more information on capital assets, refer to Note 10 of the basic financial statements.

Debt Administration

Table 4 summarizes the debt outstanding:

Table 4
Outstanding Debt, at Fiscal Year-end

	2018	2017
2002 School Improvement Bonds	$3,405,000	$3,405,000
2006 School Improvement Bonds	8,625,000	8,625,000
2016 Refunding Bonds	8,750,000	8,775,000
2017 Refunding Bonds	1,285,000	1,310,000
Certificates of Participation	675,000	715,000
Energy Conservation Notes	650,000	695,000
Capital Leases	2,784,000	2,965,000
Total	$26,174,000	$26,490,000

For more information on debt, refer to Note 16 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Holly Cahall, Treasurer, 500 Yankee Road, Monroe, Ohio 45050, or email at hcahall@monroelocalschools.com.

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Monroe Local School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$26,156,956
Inventory Held for Resale	10,130
Materials and Supplies Inventory	5,391
Accrued Interest Receivable	14,556
Accounts Receivable	128,735
Intergovernmental Receivable	488,371
Prepaid Items	38,009
Property Taxes Receivable	16,829,213
Revenue in Lieu of Taxes Receivable	3,611,595
Capital Assets:	
Land	2,475,849
Depreciable Capital Assets, Net	34,187,674
Total Assets	83,946,479
Deferred Outflows of Resources:	
Pension	11,029,275
OPEB	773,893
Total Deferred Outflows of Resources	11,803,168
Liabilities:	
Accounts Payable	137,213
Accrued Wages and Benefits Payable	1,960,053
Intergovernmental Payable	335,516
Accrued Interest Payable	78,843
Long-Term Liabilities:	
Due Within One Year	1,334,116
Due in More Than One Year:	
Net Pension Liability (See Note 12)	27,082,301
Net OPEB Liability (See Note 13)	6,240,953
Other Amounts	26,794,344
Total Liabilities	63,963,339
Deferred Inflows of Resources:	
Deferred Gain on Refunding	222,988
Property Taxes	16,283,874
Revenue in Lieu of Taxes	3,611,595
Pension	949,578
OPEB	696,947
Total Deferred Inflows of Resources	21,764,982
Net Position:	
Net Investment in Capital Assets	10,228,388
Restricted:	
Debt Service	2,855,249
Permanent Improvements	2,301,963
Food Service	109,088
Student Managed Activities	106,947
State and Federal Grants	152,010
Unrestricted (Deficit)	(5,732,319)
Total Net Position	$10,021,326

See accompanying notes to the basic financial statements

Monroe Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	$6,063,263	$1,089,732	$216,264	$0	($4,757,267)
Special	1,996,676	289,063	1,806,524	0	98,911
Vocational	0	0	6,212	0	6,212
Student Intervention Services	37,476	3,484	0	0	(33,992)
Support Services:					
Pupils	1,278,384	16,550	10,554	0	(1,251,280)
Instructional Staff	632,551	31,606	108,850	0	(492,095)
Board of Education	111,205	0	0	0	(111,205)
Administration	1,126,923	0	0	0	(1,126,923)
Fiscal	651,616	0	0	0	(651,616)
Business	44,319	0	0	0	(44,319)
Operation and Maintenance of Plant	1,463,437	9,901	0	0	(1,453,536)
Pupil Transportation	1,629,553	0	0	0	(1,629,553)
Central	141,980	0	0	0	(141,980)
Operation of Non-Instructional Services	883,862	531,296	388,125	0	35,559
Extracurricular Activities	(140,133)	253,413	22,173	20,000	435,719
Interest and Fiscal Charges	1,012,835	0	0	0	(1,012,835)
Total Governmental Activities	$16,933,947	$2,225,045	$2,558,702	$20,000	(12,130,200)
General Revenues:					
Property Taxes Levied for:					
General Purposes					12,178,240
Debt Service					1,350,901
Capital Improvement					614,024
Grants and Entitlements not Restricted to Specific Programs					8,590,886
Contributions not Restricted to Specific Programs					19,598
Interest					316,867
Revenue in Lieu of Taxes					3,611,595
Miscellaneous					104,388
Total General Revenues					26,786,499
Change in Net Position					14,656,299
Net Position at Beginning of Year - Restated (See Note 3)					(4,634,973)
Net Position at End of Year					$10,021,326

See accompanying notes to the basic financial statements

Monroe Local School District
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalent	$20,567,608	$2,998,779	$2,590,569	$26,156,956
Receivables:				
Property Taxes	14,167,821	1,939,917	721,475	16,829,213
Revenue in Lieu of Taxes	3,611,595	0	0	3,611,595
Accounts	118,061	0	10,674	128,735
Interfund	54,763	0	0	54,763
Intergovernmental	122,226	0	366,145	488,371
Accrued Interest	14,556	0	0	14,556
Prepaid Items	38,009	0	0	38,009
Inventory Held for Resale	0	0	10,130	10,130
Materials and Supplies Inventory	0	0	5,391	5,391
Total Assets	$38,694,639	$4,938,696	$3,704,384	$47,337,719
Liabilities:				
Accounts Payable	$109,754	$0	$27,459	$137,213
Interfund Payable	0	0	54,763	54,763
Accrued Wages and Benefits Payable	1,849,817	0	110,236	1,960,053
Intergovernmental Payable	301,121	0	34,395	335,516
Total Liabilities	2,260,692	0	226,853	2,487,545
Deferred Inflows of Resources:				
Property Tax	13,839,364	1,747,133	697,377	16,283,874
Revenue in Lieu of Taxes	3,611,595	0	0	3,611,595
Unavailable Revenues	356,822	149,859	384,061	890,742
Total Deferred Inflows of Resources	17,807,781	1,896,992	1,081,438	20,786,211
Fund Balances:				
Nonspendable	38,009	0	5,391	43,400
Restricted	0	3,041,704	2,560,905	5,602,609
Committed	356,277	0	0	356,277
Assigned	465,896	0	0	465,896
Unassigned (Deficit)	17,765,984	0	(170,203)	17,595,781
Total Fund Balances	18,626,166	3,041,704	2,396,093	24,063,963
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$38,694,639	$4,938,696	$3,704,384	$47,337,719

See accompanying notes to the basic financial statements

Monroe Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$24,063,963
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	2,475,849	
Other capital assets	47,982,637	
Accumulated depreciation	(13,794,963)	
Total capital assets		36,663,523
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.		
Delinquent property taxes	425,084	
Interest	7,167	
Intergovernmental	365,329	
Accounts Receivable	93,162	
Total		890,742
In the statement of activites, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(78,843)
Deferred inflows of resources represent deferred gains on refundings which do not provide current financial resources and therefore are not reported in the funds.		
Deferred Gain on Refunding		(222,988)
The net pension/OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	11,029,275	
Deferred Outflows - OPEB	773,893	
Net Pension Liability	(27,082,301)	
Net OPEB Liability	(6,240,953)	
Deferred Inflows - Pension	(949,578)	
Deferred Inflows - OPEB	(696,947)	
Total		(23,166,611)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(22,065,000)	
Certificates of participation	(675,000)	
Premiums on debt issues	(945,618)	
Energy Conservation Notes	(650,000)	
Capital leases	(2,784,000)	
Compensated absences	(1,008,842)	
Total liabilities		(28,128,460)
Net Position of Governmental Activities		$10,021,326

See accompanying notes to the basic financial statements

Monroe Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$12,217,941	$1,349,092	$615,931	$14,182,964
Intergovernmental	9,428,623	394,086	1,065,477	10,888,186
Interest	272,182	42,431	0	314,613
Tuition and Fees	1,335,197	0	0	1,335,197
Extracurricular Activities	166,877	0	164,036	330,913
Rent	9,901	0	0	9,901
Customer Sales and Services	7,684	0	531,296	538,980
Contributions and Donations	18,908	0	47,363	66,271
Revenue in Lieu of Taxes	3,611,595	0	0	3,611,595
Miscellaneous	80,550	0	23,838	104,388
Total Revenues	27,149,458	1,785,609	2,447,941	31,383,008
Expenditures:				
Current:				
Instruction:				
Regular	11,174,993	0	269,488	11,444,481
Special	3,101,078	0	345,438	3,446,516
Student Intervention Services	37,476	0	0	37,476
Support Services:				
Pupils	1,604,985	0	10,045	1,615,030
Instructional Staff	829,433	0	113,694	943,127
Board of Education	113,898	0	0	113,898
Administration	1,789,954	0	0	1,789,954
Fiscal	591,638	19,649	8,865	620,152
Business	138,871	0	0	138,871
Operation and Maintenance of Plant	1,411,038	0	411	1,411,449
Pupil Transportation	1,628,413	0	1,140	1,629,553
Central	140,813	0	0	140,813
Operation of Non-Instructional Services	1,620	0	935,652	937,272
Extracurricular Activities	607,385	0	205,274	812,659
Capital Outlay	0	0	6,250	6,250
Debt Service:				
Principal Retirement	45,000	173,599	221,000	439,599
Interest and Fiscal Charges	16,409	941,292	157,998	1,115,699
Capital Appreciation Bond Accretion	0	726,401	0	726,401
Total Expenditures	23,233,004	1,860,941	2,275,255	27,369,200
Excess of Revenues Over (Under) Expenditures	3,916,454	(75,332)	172,686	4,013,808
Other Financing Sources (Uses):				
Transfers In	37,946	0	634,963	672,909
Transfers Out	(600,000)	0	(72,909)	(672,909)
Total Other Financing Sources (Uses)	(562,054)	0	562,054	0
Net Change in Fund Balances	3,354,400	(75,332)	734,740	4,013,808
Fund Balances at Beginning of Year	15,271,766	3,117,036	1,661,353	20,050,155
Fund Balances at End of Year	$18,626,166	$3,041,704	$2,396,093	$24,063,963

See accompanying notes to the basic financial statements

Monroe Local School District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$4,013,808
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital asset additions	23,238	
Depreciation expense	(644,439)	
Excess of depreciation expense over capital outlay		(621,201)
Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds. Deferred inflows of resources changed by these amounts this fiscal year:		
Delinquent property taxes	(39,799)	
Tuition and Fees	10,054	
Intergovernmental	234,729	
Interest	2,254	
Total		207,238
Amortization of bond premiums, the deferred gain on refunding, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities		
Decrease in accrued interest	288	
Amortization of premiums	81,535	
Amortization of gains on refunding	21,041	
Total		102,864
Repayment of long-term obligations are reported as an expenditure to governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current fiscal year, these amounts consist of:		
Bond payments	173,599	
Payment of accretion	726,401	
Certificates of participation payments	40,000	
Energy conservation notes payments	45,000	
Capital lease payments	181,000	
Total long-term obligations repayment		1,166,000
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,972,917	
OPEB	81,544	
Total		2,054,461
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension expense in the statement of activities.		
Pension	7,325,329	
OPEB	728,600	
Total		8,053,929
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences payable		(320,800)
Change in Net Position of Governmental Activities		$14,656,299

See accompanying notes to the basic financial statements

Monroe Local School District
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Over/Under
Revenues:				
Property Taxes	$12,161,140	$12,253,362	$12,253,362	$0
Intergovernmental	9,425,043	9,354,700	9,309,352	(45,348)
Interest	92,602	273,873	283,911	10,038
Tuition and Fees	922,179	1,333,701	1,335,476	1,775
Extracurricular Activities	64,573	166,480	168,273	1,793
Rent	8,000	8,000	5,293	(2,707)
Customer Sales and Services	5,000	5,000	7,684	2,684
Contributions and Donations	6,191	18,281	18,908	627
Revenue in Lieu of Taxes	3,000,000	3,611,595	3,611,595	0
Miscellaneous	8,691	22,056	25,438	3,382
Total Revenues	25,693,419	27,047,048	27,019,292	(27,756)
Expenditures:				
Current:				
Instruction:				
Regular	12,494,950	11,294,169	11,070,187	223,982
Special	3,047,579	3,099,630	3,099,630	0
Student Intervention Services	35,000	37,476	37,476	0
Support Services:				
Pupils	1,824,981	1,726,979	1,726,979	0
Instructional Staff	1,147,129	1,008,424	952,971	55,453
Board of Education	146,007	128,986	128,986	0
Administration	2,067,307	2,002,454	1,883,659	118,795
Fiscal	716,544	621,824	606,459	15,365
Business	151,082	144,925	142,193	2,732
Operation and Maintenance of Plant	2,016,851	1,549,498	1,488,940	60,558
Pupil Transportation	1,951,910	1,833,814	1,707,786	126,028
Central	66,744	131,442	131,442	0
Operation of Non-Instructional Services	4,856	4,856	1,620	3,236
Extracurricular Activities	625,063	617,436	599,864	17,572
Debt Service:				
Principal	45,000	45,000	45,000	0
Interest and Fiscal Charges	17,500	16,409	16,409	0
Total Expenditures	26,358,503	24,263,322	23,639,601	623,721
Excess of Revenues Over (Under) Expenditures	(665,084)	2,783,726	3,379,691	595,965
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	0	87,291	101,415	14,124
Transfers In	0	8,487	37,946	29,459
Transfers Out	0	(600,000)	(600,000)	0
Total Other Financing Sources (Uses)	0	(504,222)	(460,639)	43,583
Net Change in Fund Balance	(665,084)	2,279,504	2,919,052	639,548
Fund Balance at Beginning of Year	16,374,950	16,374,950	16,374,950	0
Prior Year Encumbrances Appropriated	674,681	674,681	674,681	0
Fund Balance at End of Year	$16,384,547	$19,329,135	$19,968,683	$639,548

See accompanying notes to the basic financial statements

Monroe Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust Fund	Agency Funds
Assets:		
Equity in Pooled Cash and Cash Equivalents	$86,131	$121,826
Liabilities:		
Undistributed Monies	0	24,501
Due to Students	0	97,325
Total Liabilities	0	$121,826
Net Position:		
Held in Trust for Scholarships	$86,131	

See accompanying notes to the basic financial statements

Monroe Local School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

	Scholarship Fund
Additions:	
Gifts and Contributions	$6,550
Interest	1,957
Total Additions	8,507
Deductions:	
Payments in Accordance with Trust Agreement	13,807
Change in Net Position	(5,300)
Net Position at Beginning of Year	91,431
Net Position at End of Year	$86,131

See accompanying notes to the basic financial statements

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Monroe Local School District, Butler County, Ohio (the "School District") is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is organized under article VI, sections 2 and 3 of the Constitution of the State of Ohio. The Monroe Local School District is governed by a locally elected, five-member Board of Education (the "Board"), which provides educational services.

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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Monroe Local School District, this includes general operations, food service, and student-related activities of the School District.

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

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are presented in Note 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:
- Southwest Ohio Computer Association
- Butler Technology and Career Development Schools

Insurance Purchasing Pools:
- Cincinnati USA Regional Chamber Retrospective Group Rating Program
- Butler Health Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements:

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

Fund Accounting

The School 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 School District are divided into two categories: governmental and fiduciary.

Governmental Funds

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

> *General Fund* – The General Fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

> *Bond Retirement Fund* – The Bond Retirement Debt Service Fund is used to account for and report restricted financial resources, including property taxes, for the repayment of principal, interest and related costs of general long-term obligations.

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

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School 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 outflows of resources and current liabilities and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include 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 funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows 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 School District, “available” means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, revenue in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes and payment in lieu of taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

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 until that time. For the School District, deferred inflows of resources include deferred gain on refunding, property taxes, revenue in lieu of taxes, pension, OPEB plans and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, interest, and intergovernmental and accounts receivables. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 21. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

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 costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2018, the School District's investments were limited to STAR Ohio, negotiable certificates of deposit, a money market mutual fund, federal securities, and commercial paper. Investments, except for STAR Ohio, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share prices.

During fiscal year 2018, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School 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 fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transactions to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2018 was $272,182, which included $58,890 assigned from other School District funds.

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

Interfund Balances

On fund financial statement, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable". These amounts are eliminated in the governmental activities columns of the Statement of Net Position.

Prepaid Items

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

Inventory

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

Capital Assets

All capital assets of the School District are general capital assets that are associated with 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.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of $3,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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:

Description	Estimated Lives
Land Improvements	5 - 50 years
Buildings and Improvements	15 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 15 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for administrators with more than one year of service.
Sick leave benefits are accrued as a liability using the vesting method. The liability is based on sick leave accumulated by June 30 by those employees who are eligible to receive termination payments and by those employees for whom it is probable that they will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in union contracts.

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 positon 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.

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 fiscal year. Bonds, certificates of participation, energy conservation notes, and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental 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.

Fund Balance

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

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

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Board of Education. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. In the General Fund, assigned amounts include amounts to be assigned by principals for community service activities. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

Net Position

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

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

Internal Activity

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

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 and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the Certificate of Estimated Resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources may be amended during the fiscal year if projected increases or decreases in revenues are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

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

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. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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.

Deferred Gain on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred inflows of resources on the Statement of Net Position.

Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, 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).*

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

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 School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

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	$2,339,178
Adjustments:	
Net OPEB Liability	(7,027,369)
Deferred Outflow - Payments Subsequent to Measurement Date	53,218
Restated Net Position June 30, 2017	($4,634,973)

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

NOTE 4 - ACCOUNTABILITY

At June 30, 2018, the following nonmajor special revenue funds had deficit fund balances:

Funds	Amounts
Title VI-B Fund	$104,766
Title I Fund	61,589
Improving Teacher Quality Fund	3,848
Total	$170,203

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

4. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

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

Net Change in Fund Balance	
GAAP Basis	$3,354,400
Adjustments:	
Revenue Accruals	(21,924)
Expenditure Accruals	283,716
Encumbrances	(690,313)
Decrease in Fair Value of Investments - 2017	29,798
Decrease in Fair Value of Investments - 2018	(36,625)
Budget Basis	$2,919,052

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

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

Protection of the School 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.

Interim monies held by the School District can be deposited or invested in the following securities:

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

2. Bonds, notes, debentures, or any other obligation or security 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, and Government National Mortgage 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

7. The State Treasurer's investment pool (STAR Ohio); and

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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 School District, and must be purchased with the expectation that it will be held to maturity.

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

Investments

Investments are reported at fair value. As of June 30, 2018, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value (NAV) per Share:				
STAR Ohio	$12,282,466	48.9 days	AAAm	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposit	396,711	Less than two years	N/A	N/A
Money Market Mutual Fund	15,552	Less than one year	N/A	N/A
Federal National Mortgage Association Notes	2,412,270	Less than four years	AA+	9.42%
Federal Home Loan Mortgage Corporation Notes	915,306	Less than two years	AA+	N/A
Commercial Paper	9,594,521	Less than one year	A-1 to A-1+	37.45
Total Investments	$25,616,826			

The School 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 chart identifies the School District's recurring fair value measurements as of June 30, 2018. All of the School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The Standard and Poor's ratings of the School District's investments are listed in the table above. STAR Ohio is permitted by Ohio Revised Code Section 135.45. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or issued by United States Government sponsored enterprises.

Concentration of Credit Risk

The School District's investment policy places no limit on the amount it may invest in any one issuer. The percentage that each investment represents of the total investments is listed in the table preceding.

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First half tax collections are received by the School 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 School District. Real property tax revenue received in calendar year 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 statute at 35 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 School District receives property taxes from Butler and Warren Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2018, was $120,255 and is recognized as revenue: $71,964 in the General Fund, $42,925 in the Bond Retirement Debt Service Fund and $5,366 in the Nonmajor Governmental Funds. The amount available as an advance at June 30, 2017, was $179,318 and is recognized as revenue: $107,385 in the General Fund, $64,276 in the Bond Retirement Debt Service Fund, and $7,657 in the Nonmajor Governmental Funds.

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:

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$173,256,100	55.64%	$191,861,650	56.42%
Public Utility Personal	78,348,180	25.16%	87,534,150	25.74%
Tangible Personal Property	59,799,030	19.20%	60,670,700	17.84%
Total Assessed Value	$311,403,310	100.00%	$340,066,500	100.00%
Tax Rate per $1,000 of Assessed Valuation	$48.67		$46.87	

Payments in Lieu of Taxes

The School District is party to Tax Increment Financing (TIF) agreements. Municipalities, townships, and counties can enter into TIF agreements which lock in real property at its unimproved value for up to 30 years in a defined TIF district. Some TIF agreements also require the TIF government to allocate service payments to school districts and other governments to help offset the property taxes these governments would have received had the improvements to real property not been exempted. The Service payments that the School District receives as part of TIF agreements are presented on the financial statements as Revenue in Lieu of Taxes.

NOTE 8 - TAX ABATEMENTS

School District property taxes were reduced as follows under Community Reinvestment Area (CRA) agreements entered into by overlapping governments:

Overlapping Government	Amount of Fiscal Year 2018 Taxes Abated
Community Reinvestment Areas:	
City of Monroe	$2,549,792

NOTE 9 - RECEIVABLES

Receivables at June 30, 2018, consisted of property taxes, revenue in lieu of taxes, accounts, interfund, intergovernmental grants and accrued interest. 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 delinquent property taxes and revenue in lieu of 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.

The School District receives payment in lieu of taxes from multiple Tax Increment Financing Agreements that were entered into between the School District and corporations. These payments will be received based on each individual agreement.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	Amount
IDEA-B	$206,521
Title III - LEP	8,629
Title I-A	119,610
Early Childhood Special Education	11,552
Title II-A	11,556
Title IV-A	7,461
Bureau of Worker's Compensation	43,916
Medicaid Reimbursement	78,310
Summer Lunch Program	816
Total Intergovernmental Receivable	$488,371

NOTE 10 - CAPITAL ASSETS

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

	Balance at 6/30/17	Additions	Deductions	Balance at 6/30/18
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$2,475,849	$0	$0	$2,475,849
Capital Assets Being Depreciated:				
Land Improvements	217,100	0	0	217,100
Buildings and Improvements	44,834,686	0	0	44,834,686
Furniture, Fixtures, and Equipment	2,824,263	23,238	(24,560)	2,822,941
Vehicles	107,910	0	0	107,910
Total Capital Assets Being Depreciated	47,983,959	23,238	(24,560)	47,982,637
Less Accumulated Depreciation:				
Land Improvements	(20,067)	(5,729)	0	(25,796)
Buildings and Improvements	(11,183,657)	(586,138)	0	(11,769,795)
Furniture, Fixtures, and Equipment	(1,895,505)	(51,734)	24,560	(1,922,679)
Vehicles	(75,855)	(838)	0	(76,693)
Total Accumulated Depreciation	(13,175,084)	(644,439) *	24,560	(13,794,963)
Total Capital Assets Being Depreciated, Net	34,808,875	(621,201)	0	34,187,674
Governmental Activities Capital Assets, Net	$37,284,724	($621,201)	$0	$36,663,523

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$571,357
Special	600
Support Services:	
Pupils	500
Instructional Staff	10,512
Fiscal	342
Operation and Maintenance of Plant	54,439
Central	1,167
Extracurricular Activities	5,522
Total Depreciation Expense	$644,439

NOTE 11 - RISK MANAGEMENT

Property and Liability

The School 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. For the fiscal year, the School District contracted with Wright Specialty Insurance for general commercial, fleet, employee benefits liability and boiler and machinery coverage.

Settled claims have not exceeded this coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior fiscal year.

Workers' Compensation

For fiscal year 2018, the School District participated in the Cincinnati USA Chamber of Commerce retrospective group rating program, an insurance purchasing pool (See Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience, and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniComp provides administrative, cost control, and actuarial services to the GRP.

Employee Medical Benefits

For fiscal year 2018, the School District participated in the Butler Health Plan (BHP), an insurance purchasing pool (See Note 18), in order to provide medical and dental benefits to associates, their dependents, and designated beneficiaries.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/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 School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. The School District contracts out janitorial and maintenance services, transportation services, and a portion of their cafeteria services. Since these services are common to the normal daily operation of a school district, these workers are members of SERS and the School District is legally responsible for making the employer contribution to SERS. This relationship is presented as a special funding situation within the accompanying financial statements. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code

Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contribution to SERS was $265,423 for fiscal year 2018. Of this amount $10,804 is reported as an intergovernmental payable. The Special Funding Situation contractually required contribution to SERS was $265,422 for fiscal year 2018. Of this amount, $10,803 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

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, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $1,442,072 for fiscal year 2018. Of this amount $197,046 is reported as an intergovernmental payable.

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

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

	SERS			
	Contributions Made by School District	Special Funding Situation	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.04398500%	0.04398500%	0.08437071%	
Proportion of the Net Pension Liability Current Measurement Date	0.05211890%	0.05211890%	0.08778840%	
Change in Proportionate Share	0.00813390%	0.00813390%	0.00341769%	
Proportionate Share of the Net Pension Liability	$3,113,990	$3,113,989	$20,854,322	$27,082,301
Pension Expense	($989)	($989)	($7,323,351)	($7,325,329)

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

	SERS Contributions Made by School District	SERS Special Funding Situation	STRS	Total
Deferred Outflows of Resources:				
Differences between expected and actual experience	$134,016	$134,015	$805,296	$1,073,327
Changes of assumptions	161,027	161,027	4,561,069	4,883,123
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	392,696	392,696	2,314,516	3,099,908
School District contributions subsequent to the measurement date	265,423	265,422	1,442,072	1,972,917
Total Deferred Outflows of Resources	$953,162	$953,160	$9,122,953	$11,029,275
Deferred Inflows of Resources:				
Differences between expected and actual experience	$0	$0	$168,078	$168,078
Net difference between projected and actual earnings on pension plan investments	14,782	14,781	688,217	717,780
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	31,860	31,860	0	63,720
Total Deferred Outflows of Resources	$46,642	$46,641	$856,295	$949,578

$1,972,917 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS			
	Contributions Made by School District	Special Funding Situation	STRS	Total
Fiscal Year Ending June 30:				
2019	$238,713	$238,712	$1,667,501	$2,144,926
2020	325,028	325,028	2,603,713	3,253,769
2021	149,950	149,950	1,975,756	2,275,656
2022	(72,594)	(72,593)	577,616	432,429
Total	$641,097	$641,097	$6,824,586	$8,106,780

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating 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 rebalanced uncorrelated asset classes.

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$4,321,408	$3,113,990	$2,102,530
Special Funding Situation proportionate share of the net pension liability	$4,321,407	$3,113,989	$2,102,530

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016, are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

For the July 1, 2016, actuarial valuation, mortality rates were based on the RP-2000 Combined

Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$29,893,962	$20,854,322	$13,239,782

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2018, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 – DEFINED BENEFIT OPEB PLANS

See note 12 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description – The School 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.

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 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $61,883.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $40,772 for fiscal year 2018. Of this amount $31,342 is reported as an intergovernmental payable. The Special Funding Situation contractually required contribution to SERS was $40,772 for fiscal year 2018. Of this amount, $31,341 is reported as an intergovernmental payable.

<u>Plan Description – State Teachers Retirement System of Ohio (STRS)</u>

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 School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS			
	Contributions Made by School District	Special Funding Situation	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.04412060%	0.04412060%	0.08437071%	
Proportion of the Net OPEB Liability Current Measurement Date	0.05245995%	0.05245995%	0.08778840%	
Change in Proportionate Share	0.00833935%	0.00833935%	0.00341769%	
Proportionate Share of the Net OPEB Liability	$1,407,887	$1,407,887	$3,425,179	$6,240,953
OPEB Expense	$145,235	$145,234	($1,019,069)	($728,600)

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

	SERS			
	Contributions Made by School District	Special Funding Situation	STRS	Total
Deferred Outflows of Resources:				
Differences between expected and actual experience	$0	$0	$197,722	$197,722
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	168,980	168,980	156,667	$494,627
School District contributions subsequent to the measurement date	40,772	40,772	0	$81,544
Total Deferred Outflows of Resources	$209,752	$209,752	$354,389	$773,893

	SERS			
	Contributions Made by School District	Special Funding Situation	STRS	Total
Deferred Inflows of Resources:				
Changes of assumptions	$133,601	$133,601	$275,909	$543,111
Net difference between projected and actual earnings on OPEB plan investments	3,718	3,718	146,400	$153,836
Total Deferred Inflows of Resources	$137,319	$137,319	$422,309	$696,947

$81,544 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS			
	Contributions Made by School District	Special Funding Situation	STRS	Total
Fiscal Year Ending June 30:				
2019	$11,889	$11,889	($23,520)	$258
2020	11,889	11,889	(23,520)	258
2021	8,813	8,813	(23,520)	(5,894)
2022	(930)	(930)	(23,521)	(25,381)
2023	0	0	13,080	13,080
Thereafter	0	0	13,081	13,081
Total	$31,661	$31,661	($67,920)	($4,598)

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$1,700,203	$1,407,887	$1,176,299
Special Funding Situation proportionate share of the net OPEB liability	$1,700,203	$1,407,887	$1,176,298

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	$1,142,395	$1,407,887	$1,759,271
Special Funding Situation proportionate share of the net OPEB liability	$1,142,395	$1,407,887	$1,759,271

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

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 School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$4,598,248	$3,425,179	$2,498,072

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$2,379,668	$3,425,179	$4,801,195

NOTE 14 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days. Upon retirement, payment is made for 25 percent of the employee's accumulated sick leave up to the 240 days.

Insurance

The School District provides medical and dental insurance to all employees through the Butler Health Plan. Employees are provided with life insurance through Assurant, and vision insurance through Vision Service Plan (VSP). See Note 18 for more information regarding the Butler Health Plan.

Deferred Compensation

School District employees may participate in the deferred compensation plan. This plan was created in accordance with Internal Revenue Code Section 457. The District also offers a deferred compensation plan in accordance with Internal Revenue Code 403B. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until the employee reaches age 59 ½, termination, retirement, death or disability. VOYA ING is the deferred compensation plan administrator.

NOTE 15 - LEASES - LESSEE DISCLOSURE

During prior fiscal years, the School District entered into lease purchase agreements for athletics facilities. The lease-purchase agreements are with the Ohio Association of School Business Officials (OASBO). OASBO has assigned U. S. Bank as the trustee. U.S. Bank deposited monies into a trustee account and reimbursed the School District for expenditures for the projects. The School District was reimbursed costs up to $4,585,000 for expenditures made on work completed. The School District makes semi-annual lease payments to U. S. Bank.

Total principal payments in fiscal year 2018 totaled $181,000.

The assets acquired through the capital leases as of June 30, 2018, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Buildings and Improvements	$3,488,714	($630,634)	$2,858,080

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30,	Fieldhouse	Stadium	Total Payments
2019	$99,000	$184,938	$283,938
2020	104,000	184,632	288,632
2021	109,000	185,141	294,141
2022	114,000	185,442	299,442
2023	120,000	185,511	305,511
2024-2028	126,000	930,163	1,056,163
2029-2033	0	937,793	937,793
2034-2037	0	189,190	189,190
Total	$672,000	$2,982,810	3,654,810
Less: Amount Representing Interest			(870,810)
Present Value of Net Minimum Lease Payments			$2,784,000

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Restated Amount Outstanding 6/30/17	Additions	Deductions	Amount Outstanding 6/30/18	Amounts Due Within One Year
General Obligation Bonds:					
2002 School Improvement Obligation Bonds:					
Serial Bonds	$3,405,000	$0	$0	$3,405,000	$945,000
Capital Appreciation Bonds	123,599	0	123,599	0	0
Accretion on Capital Appreciation Bonds	726,401	0	726,401	0	0
Premiums on Bonds	275,695	0	21,761	253,934	0
2006 School Improvement Refunding Obligation Bonds:					
Serial Bonds	8,625,000	0	0	8,625,000	0
Premiums on Bonds	375,482	0	28,883	346,599	0
2016 Refunding Bonds:					
Serial Bonds	7,660,000	0	25,000	7,635,000	25,000
Term Bonds	1,115,000	0	0	1,115,000	0
Premiums on Bonds	372,134	0	30,586	341,548	0
2017 Refunding Bonds:					
Term Bonds	1,310,000	0	25,000	1,285,000	15,000
Total General Obligation Bonds	23,988,311	0	981,230	23,007,081	985,000
Other Long-Term Obligations:					
Net Pension Liability:					
SERS	6,438,590	0	210,611	6,227,979	0
STRS	28,241,420	0	7,387,098	20,854,322	0
Total Net Pension Liability	34,680,010	0	7,597,709	27,082,301	0
Net OPEB Liability:					
SERS	2,515,201	300,573	0	2,815,774	0
STRS	4,512,168	0	1,086,989	3,425,179	0
Total Net OPEB Liability	7,027,369	300,573	1,086,989	6,240,953	0
2010 Certificates of Participation:					
Serial Bonds	85,000	0	40,000	45,000	45,000
Term Bonds	630,000	0	0	630,000	0
Premiums on Bonds	3,842	0	305	3,537	0
Energy Conservation Notes	695,000	0	45,000	650,000	45,000
Capital Leases	2,965,000	0	181,000	2,784,000	189,000
Compensated Absences	688,042	733,185	412,385	1,008,842	70,116
Total Other Long-Term Obligations	46,774,263	1,033,758	9,363,388	38,444,633	349,116
Total Governmental Activities	$70,762,574	$1,033,758	$10,344,618	$61,451,714	$1,334,116

2002 School Improvement Bonds - On April 4, 2002, the School District issued $29,910,228 in school improvement bonds for the purpose of construction, improvements, and equipment for School District facilities. The bonds were issued for a 28-year period with final maturity of December 1, 2029. In 2006, the School District refunded a portion of the bonds and the final maturity will be December 1, 2023. The remaining bonds will be paid from property tax revenues in the Bond Retirement Fund.

The capital appreciation bonds were issued at $520,228 and are not subject to prior redemption, the bonds will mature December 1, 2014, through 2017, in the amount of $2,474,772. The bonds were fully paid off during fiscal year 2018.

2006 School Improvement Refunding Bonds - On October 12, 2006, the School District refunded a portion of the 2002 school improvement bonds in the amount of $19,640,000. The bonds were issued for a 24-year period with final maturity on December 1, 2029. During fiscal year 2017, the School District refunded a portion of the bonds and the final maturity will be December 1, 2025. The remaining bonds will be paid from property tax revenue in the Bond Retirement Fund.

On September 7, 2016 the School District issued $8,875,000 refunding bonds in order to refund a portion of the 2006 school improvement refunding obligation bonds in order to take advantage of lower interest rates. These bonds are paid from the Debt Service Fund and will mature on December 1, 2029.

On March 7, 2017 the School District issued $1,310,000 refunding bonds in order to refund a portion of the 2006 school improvement refunding obligation bonds in order to take advantage of lower interest rates. These bonds are paid from the Debt Service Fund and will mature on December 1, 2029.

Certificates of Participation - On February 2, 2010, the School District issued $980,000 Certificates of Participation to finance land and existing improvements to the facility. The COPs issuance included a premium of $6,105, which will be amortized over the life of the COPs. The COPS were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the PS&W Holding Company and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of 20 years which includes the right to renew for 19 successive one-year terms through July 1, 2029 subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, annually. The base rent includes an interest component that begins at 1.50 percent to 5.25 percent. The School District has the option to purchase the renovations in whole or in part, with a 90 day written notice to the Trustee and lessor at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date fixed for redemption. The certificates of participations will be paid from the permanent improvement fund with property tax revenues.

2016 Energy Conservation Notes – On May 11, 2016, the School District issued $725,000 Energy Conservation Notes to finance energy efficient upgrades to the buildings. The notes were issued for a 15 year period with final maturity on December 1, 2030. The notes will be repaid from the General Fund.

Capital leases will be paid through the Permanent Improvement Fund. Compensated absences will be paid from the General Fund, the Food Service, IDEA-B, Title I and Reducing Class Size special revenue funds. There is no repayment schedule for the net pension/OPEB liability. However, employer pension contributions are made from the following funds: General, Food Service, IDEA-B, Title I and Reducing Class Size. For additional information related to the net pension/OPEB liability see Notes 12 and 13.

The School District's overall legal debt margin was $10,907,689 with an unvoted debt margin of $340,067, and an energy conservation debt margin of $2,410,599 at June 30, 2018.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest
2019	$945,000	$168,619
2020	1,195,000	107,094
2021	1,265,000	36,369
Total	$3,405,000	$312,082

Fiscal Year Ending June 30,	Refunding Bonds Principal	Refunding Bonds Interest	Certificates of Participation Principal	Certificates of Participation Interest
2019	$40,000	$744,621	$45,000	$32,016
2020	40,000	743,819	45,000	30,103
2021	40,000	743,016	45,000	28,078
2022	1,430,000	703,926	50,000	25,881
2023	1,615,000	621,461	50,000	23,569
2024-2028	10,345,000	1,690,880	295,000	77,406
2029-2031	5,150,000	174,075	145,000	7,744
Total	$18,660,000	$5,421,798	$675,000	$224,797

Fiscal Year Ending June 30,	Energy Conservation Notes Principal	Energy Conservation Notes Interest
2019	$45,000	$15,311
2020	45,000	14,213
2021	45,000	13,115
2022	45,000	12,017
2023	50,000	10,858
2024-2028	255,000	35,929
2029-2031	165,000	6,039
Total	$650,000	$107,482

NOTE 17 - INTERFUND ACTIVITY

The General Fund advanced $54,763 to non-major funds to cover negative cash balances. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use those restricted monies to reimburse the General Fund for the initial Advance.

Transfers made during the fiscal year ended June 30, 2018, were as follows:

Transfers To	Transfers From: General Fund	Transfers From: Nonmajor Governmental Funds	Total
General Fund	$0	$37,946	$37,946
Nonmajor Governmental Funds	600,000	34,963	634,963
Total	$600,000	$72,909	$672,909

The transfer of $600,000 from the General Fund to Nonmajor Governmental Funds was used to reallocate monies for capital improvements. The transfers of $37,946 from Nonmajor Governmental Funds to the General Fund were made to transfer monies out of cost centers that were closed during the fiscal year. The transfer of $34,963 from Nonmajor Governmental Funds to Nonmajor Governmental Funds was used to reallocate monies for capital improvements.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

Jointly Governed Organizations

Southwest Ohio Computer Association

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), a computer consortium. SWOCA is a jointly governed organization among a seven county consortium of 43 Ohio school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The Board exercises total control over the operations of SWOCA including budgeting, appropriating, contracting and designating management. The Board consists of one representative from each of the participating 43 school districts. The School District paid SWOCA $138,303 for services provided during the fiscal year. Each School District's degree of control is limited to its representation on the Board. The financial statements for SWOCA are available at 3611 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools (Butler Tech), a jointly governed organization, is a distinct political subdivision of the state of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate established by the Ohio Revised Code. Butler Tech was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the School District. The Board exercises total control over operations of the District including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District did not pay Butler Tech during fiscal year 2018 for dues and fees. To obtain financial information, write to Butler Tech at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Insurance Purchasing Pools

Cincinnati USA Regional Chamber Retrospective Group Rating Program

The School District participates in the Cincinnati USA Chamber Retrospective Group Rating Program, an insurance purchasing pool. Each year, the District pays an enrollment fee to Sheakley to cover the costs of administering the program.

Butler Health Plan

The School District participates in the Butler Health Plan (BHP), an insurance purchasing pool formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents, and designated beneficiaries. The School District purchases medical and dental insurance through BHP. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from BHP at 400 North Erie Boulevard, Suite B Hamilton, OH 45011.

NOTE 19 - SET-ASIDE CALCULATIONS

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

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

	Capital Improvements
Set-aside Balance as of June 30, 2017	$0
Current Fiscal Year Set-aside Requirement	491,969
Current Fiscal Year Offsets	(491,969)
Set-aside Balance as of June 30, 2018	$0

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

NOTE 20 - SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year is $690,313 in the General Fund and $147,211 in nonmajor governmental funds.

NOTE 21 - FUND BALANCES

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

Fund Balances	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	$0	$0	$5,391	$5,391
Prepaids	38,009	0	0	38,009
Total Nonspendable	38,009	0	5,391	43,400
Restricted for:				
Debt Service	0	3,041,704	0	3,041,704
Permanent Improvements	0	0	2,318,194	2,318,194
Food Service	0	0	123,679	123,679
Student Management Activities	0	0	106,947	106,947
State and Federal Grants	0	0	12,085	12,085
Total Restricted	0	3,041,704	2,560,905	5,602,609
Committed to:				
Contracted Services	356,277	0	0	356,277
Assigned to:				
Community Service Activities	150,087	0	0	150,087
Purchases on Order	315,809	0	0	315,809
Total Assigned	465,896	0	0	465,896
Unassigned (Deficit):	17,765,984	0	(170,203)	17,595,781
Total Fund Balances	$18,626,166	$3,041,704	$2,396,093	$24,063,963

NOTE 22 - CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 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 School District.

Litigation

The School District was not party to any legal proceedings at the end of the fiscal year.

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

	2018	2017	2016
School District Contributions:			
School District's Proportion of the Net Pension Liability	0.05211890%	0.04398500%	0.04329400%
School District's Proportionate Share of the Net Pension Liability	$3,113,990	$3,219,295	$2,470,398
School District's Covered Payroll	$1,805,721	$1,373,221	$1,303,376
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	172.45%	234.43%	189.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%
Special Funding Situation:			
Special Funding Situation Proportion of the Net Pension Liability	0.05211890%	0.04398500%	0.04329400%
Special Funding Situation Proportionate Share of the Net Pension Liability	$3,113,989	$3,219,295	$2,470,397

(1) Information prior to 2014 is not available

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

See accompanying notes to the required supplementary information

2015	2014
0.04528150%	0.04528150%
$2,291,671	$2,692,746
$1,274,358	$1,372,809
179.83%	196.15%
71.70%	65.52%
0.04528150%	0.04528150%
$2,291,671	$2,692,745

Monroe Local School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

School Employees Retirement System of Ohio

Last Two Fiscal Years (1)

	2018	2017
School District Contributions:		
School District's Proportion of the Net OPEB Liability	0.05245995%	0.04412060%
School District's Proportionate Share of the Net OPEB Liability	$1,407,887	$1,257,601
School District's Covered Payroll	$1,805,721	$1,373,221
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	77.97%	91.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
Special Funding Situation:		
Special Funding Situation Proportion of the Net OPEB Liability	0.05245995%	0.04412060%
Special Funding Situation Proportionate Share of the Net OPEB Liability	$1,407,887	$1,257,600

(1) Information prior to 2017 is not available

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.08778840%	0.08437071%	0.07679520%
School District's Proportionate Share of the Net Pension Liability	$20,854,322	$28,241,420	$21,223,946
School District's Covered Payroll	$10,182,371	$9,035,507	$7,377,821
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	204.81%	312.56%	287.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available

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

See accompanying notes to the required supplementary information

2015	2014
0.07493390%	0.07493390%
$18,226,518	$21,711,309
$7,631,077	$7,500,608
238.85%	289.46%
74.70%	69.30%

Monroe Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.08778840%	0.08437071%
School District's Proportionate Share of the Net OPEB Liability	$3,425,179	$4,512,168
School District's Covered Payroll	$10,182,371	$9,035,507
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	33.64%	49.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available

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

See accompanying notes to the required supplementary information

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Monroe Local School District
Required Supplementary Information
Schedule of School District Net Pension Liability Contributions
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016
School District Contributions:			
Contractually Required Contribution	$265,423	$252,801	$192,251
Pension Contributions in Relation to the Contractually Required Contribution	(265,423)	(252,801)	(192,251)
Contribution Deficiency (Excess)	$0	$0	$0
School District Covered Payroll	$1,966,096	$1,805,721	$1,373,221
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%
Special Funding Situation Contributions:			
Contractually Required Contribution	$265,422	$252,800	$190,232
Pension Contributions in Relation to the Contractually Required Contribution	(265,422)	(252,800)	(190,232)
Contribution Deficiency (Excess)	$0	$0	$0

(1) Information prior to 2014 is not available

See accompanying notes to the required supplementary information

	2015	2014
	$171,785	$176,626
	(171,785)	(176,626)
	$0	$0
	$1,303,376	$1,274,358
	13.18%	13.86%
	$171,785	$176,626
	(171,785)	(176,626)
	$0	$0

Monroe Local School District
Required Supplementary Information
Schedule of School District Net OPEB Liability Contributions
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016
School District Contributions:			
Contractually Required Contribution (2)	$40,772	$26,609	$20,380
OPEB Contributions in Relation to the Contractually Required Contribution	(40,772)	(26,609)	(20,380)
Contribution Deficiency (Excess)	$0	$0	$0
School District Covered Payroll	$1,966,096	$1,805,721	$1,373,221
OPEB Contributions as a Percentage of Covered Payroll (2)	2.07%	1.47%	1.48%
Special Funding Situation Contributions:			
Contractually Required Contribution (2)	$40,772	$26,609	$20,380
OPEB Contributions in Relation to the Contractually Required Contribution	(40,772)	(26,609)	(20,380)
Contribution Deficiency (Excess)	$0	$0	$0

(1) Information prior to 2014 is not available
(2) Includes Surcharge

See accompanying notes to the required supplementary information

2015	2014
$31,201	$21,815
(31,201)	(21,815)
$0	$0
$1,303,376	$1,274,358
2.39%	1.71%
$31,201	$21,815
(31,201)	(21,815)
$0	$0

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

	2018	2017	2016	2015
Net Pension Liability:				
Contractually Required Contribution	$1,442,072	$1,425,532	$1,264,971	$1,032,895
Contributions in Relation to the Contractually Required Contribution	(1,442,072)	(1,425,532)	(1,264,971)	(1,032,895)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll	$10,300,514	$10,182,371	$9,035,507	$7,377,821
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability:				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$992,040	$975,079	$1,196,585	$1,303,000	$1,138,000	$1,203,000
(992,040)	(975,079)	(1,196,585)	(1,303,000)	(1,138,000)	(1,203,000)
$0	$0	$0	$0	$0	$0
$7,631,077	$7,500,608	$9,204,500	$10,023,076	$8,753,846	$9,253,846
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$76,311	$75,006	$92,045	$100,231	$87,538	$92,538
(76,311)	(75,006)	(92,045)	(100,231)	(87,538)	(92,538)
$0	$0	$0	$0	$0	$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

NET PENSION LIABILITY

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

For fiscal year 2017 and prior 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.

NET OPEB LIABILITY

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

Changes in Assumptions – STRS

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

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

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MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Commodities)			
National School Lunch Program	10.555	2018	$ 36,060
Cash Assistance			
National School Breakfast Program	10.553	2018	56,573
National School Lunch Program	10.555	2018	289,210
Total Nutrition Cluster			381,843
Total U.S. Department of Agriculture			**381,843**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	2018	236,355
Title I Grants to Local Educational Agencies	84.010	2017	52,021
Total Title I Grants to Local Educational Agencies			288,376
Special Education Cluster			
Special Education - Grants to the States	84.027	2018	296,474
Special Education - Grants to the States	84.027	2017	29,202
Special Education - Preschool	84.173	2018	1,875
Total Special Education Cluster			327,552
Title III English Language Acquisition Grant	84.365	2018	22,022
Title III English Language Acquisition Grant	84.365	2017	2,328
Total Title III English Language Acquisition Grant			24,350
Title II-A Improving Teacher Quality State Grants	84.367	2018	59,362
Title II-A Improving Teacher Quality State Grants	85.367	2017	3,083
Total Title II-A Improving Teacher Quality State Grants			62,445
Title IV-A Student Support	84.424	2018	2,538
Total U.S. Department of Education			**705,261**
Total Expenditures of Federal Awards			**$1,087,104**

The accompanying notes are an integral part of this schedule.

MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
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 Monroe Local 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 or changes in net position 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 entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE E - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 programs:

Program Title	CFDA Number	Amount Transferred
Special Education - Grants to States	84.027	$ 1,670
Title III English Language Acquisition	84.365	$ 2,539
Title I Grants	84.010	$ 99,090
Special Education - Preschool	84.173	$ 2,327
Title II-A Improving Teacher Quality	84.367	$ 7,175

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

Monroe Local School District
Butler County
500 Yankee Road
Monroe, Ohio 45050

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroe Local School District, Butler County, (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 28, 2019 wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

January 28, 2019

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

Monroe Local School District
Butler County
500 Yankee Road
Monroe, Ohio 45050

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Monroe Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Monroe Local School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Monroe Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

January 28, 2019

MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Ms. Kathy Demers, Superintendent Ms. Holly J. Cahall, CPA, Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Finding for Recovery – Employee Overpayment	Corrective Action Taken and Finding is Fully Corrected	
2017-002	Recording Capital Assets and Depreciation	Corrective Action Taken and Finding is Fully Corrected	

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OHIO AUDITOR OF STATE
KEITH FABER

MONROE LOCAL SCHOOL DISTRICT

BUTLER 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
FEBRUARY 19, 2019

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