HUBER HEIGHTS CITY
SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2017

James G. Zupka, CPA, Inc.
Certified Public Accountants

Dave Yost • Auditor of State

Board of Education
Huber Heights City School District
5954 Longford Road
Huber Heights, Ohio 45424

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

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

Dave Yost
Auditor of State

January 19, 2018

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HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of Board of Education
Huber Heights City School District
Huber Heights, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

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 Huber Heights City School District, Montgomery County, Ohio, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As described in Note 3 to the basic financial statements, the District restated its net position at June 30, 2016 to properly reflect the historic cost and accumulated depreciation of the District's capital assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of 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 basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 15, 2017

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HUBER HEIGHTS SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities increased $6,871,586, which represents a 17.26% increase from fiscal year 2016.

- General revenues accounted for $70,143,652 in revenue or 85.72% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for $11,688,721 in revenue or 14.28% of total revenues of $81,832,373.

- The District had $74,960,787 in expenses related to governmental activities; $11,688,721 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of $70,143,652 were adequate to provide for these programs.

- The District's only major governmental fund is the general fund. The general fund had $69,714,007 in revenues and other financing sources and $59,470,471 in expenditures. During fiscal year 2017, the general fund's fund balance increased from $24,348,496 to $34,596,057.

Using these Basic Financial Statements

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

Reporting the District’s Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in agency funds. All of the District’s fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the District’s other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-62 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s net pension liability. The required supplementary information can be found on pages 64-68 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table on the following page provides a summary of the District’s net position at June 30, 2017 and June 30, 2016. Net position for 2016 has been restated as described in Note 3 in the notes to the basic financial statements

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Net Position

	Governmental Activities 2017	Restated Governmental Activities 2016
Assets		
Current and other assets	$ 84,938,474	$ 74,126,557
Capital assets, net	151,211,803	152,773,670
Total assets	236,150,277	226,900,227
Deferred Outflows of Resources		
Unamortized deferred charges on debt refunding	9,670,303	8,516,045
Pensions	18,486,697	7,805,288
Total deferred outflows of resources	28,157,000	16,321,333
Liabilities		
Current liabilities	7,270,670	6,846,402
Long-term liabilities:		
Due within one year	2,345,431	1,982,755
Due in more than one year:		
Net pension liability	98,749,742	79,952,135
Other	79,469,871	81,446,320
Total liabilities	187,835,714	170,227,612
Deferred Inflows of Resources		
Other amounts	28,031,161	25,213,916
Pensions	1,766,686	7,977,902
Total deferred inflows of resources	29,797,847	33,191,818
Net Position		
Net investment in capital assets	81,873,973	80,085,765
Restricted	13,919,709	16,307,114
Unrestricted (deficit)	(49,119,966)	(56,590,749)
Total net position	$ 46,673,716	$ 39,802,130

The District has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $46,673,716.

As the table on the previous page illustrates, the most significant changes in net position were related to the District's net pension liability and deferred inflows/outflows of resources related to pensions. See Note 12 in the notes to the basic financial statements for additional information regarding these components of net position.

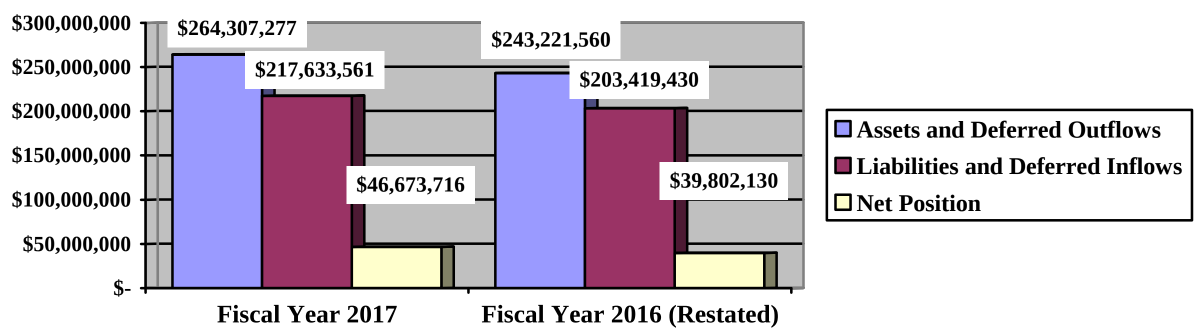
Other notable changes include an increase in current assets of $10,811,917 (14.59%). This is primarily the result of an increase in cash and investments as the District's cash receipts exceeded cash disbursements during the year. Property taxes receivable also increased; however, the receivable mostly is offset by deferred inflows of resources since the bulk of the taxes receivable are levied to finance the next fiscal year.

At year end, capital assets represented 64.03% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and vehicles. The District's net investment in capital assets at June 30, 2017 was $81,873,973. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, $13,919,709, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $49,119,966.

The graph below illustrates the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2017 and June 30, 2016.

Governmental Activities



The following table shows the changes in net position for governmental activities for fiscal years 2017 and 2016.

Change in Net Position

Revenues	2017	2016
Program revenues:		
Charges for services and sales	$ 2,098,259	$ 2,521,289
Operating grants and contributions	9,590,462	9,354,508
General revenues:		
Property taxes	31,924,250	30,162,564
Payment in lieu of taxes	1,155,507	-
Grants and entitlements	36,200,820	35,406,709
Investment earnings	184,513	316,174
Miscellaneous	678,562	368,572
Total revenues	81,832,373	78,129,816

- continued

Change in Net Position (Continued)

Expenses	2017	Restated 2016
Instruction:		
Regular	$ 30,394,660	$ 28,746,937
Special	12,256,483	10,638,756
Vocational	11,580	12,888
Other	5,555,932	5,419,413
Support services:		
Pupil	4,176,152	3,083,706
Instructional staff	1,580,488	1,642,183
Board of education	15,365	17,940
Administration	3,789,553	3,438,575
Fiscal	1,106,451	1,114,353
Business	196,293	355,076
Operations and maintenance	5,286,005	5,583,824
Pupil transportation	2,884,269	2,535,033
Central	671,137	456,052
Operation of non-instructional services:		
Food service operations	2,414,531	2,137,424
Other non-instructional services	496,671	429,906
Extracurricular activities	925,456	824,028
Interest and fiscal charges	3,199,761	2,719,784
Intergovernmental	-	6,274,737
Total expenses	74,960,787	75,430,615
Change in net position	6,871,586	2,699,201
Net position at beginning of year (restated)	39,802,130	37,102,929
Net position at end of year	$ 46,673,716	$ 39,802,130

Governmental Activities

Net position of the District's governmental activities increased $6,871,586. Total governmental expenses of $74,960,787 were offset by program revenues of $11,688,721 and general revenues of $70,143,652. Program revenues supported 15.59% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 83.25% of total governmental revenue. Total revenues increased $3,702,557 (4.74%) which is primarily due to property taxes and payment in lieu of taxes revenue. The increase in property taxes revenue is mostly due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditor. Tax advances available to the District are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2017 and 2016 was approximately $2.4 million and $1.1, respectively. This amount can vary depending upon when the County Auditor distributes tax bills. Payment in lieu of taxes revenue represents reimbursements to the District for tax abatements on properties located within Community Reinvestment Areas and Tax Increment Financing districts.

The largest expense of the District is for instructional programs. Instruction expenses totaled $48,218,655 or 64.33% of total governmental expenses for fiscal year 2017. Intergovernmental expenses reported in 2016 represent the return of unused State funding due to the District's recent school facilities construction project coming in under budget. Despite this large one-time expense in the prior year, total expenses remained largely unchanged due to a significant increase in pension expense related to the District's net pension liability.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2017 and 2016. That is, it identifies the cost of these services supported by tax revenues, unrestricted State grants and entitlements, and other general revenues of the District.

	Governmental Activities			
	Total Cost of Services 2017	Net Cost of Services 2017	Restated Total Cost of Services 2016	Restated Net Cost of Services 2016
Program expenses:				
Instruction:				
Regular	$ 30,394,660	$ 29,635,217	$ 28,746,937	$ 27,778,451
Special	12,256,483	6,054,099	10,638,756	4,637,986
Vocational	11,580	11,580	12,888	12,888
Other	5,555,932	5,555,932	5,419,413	5,419,413
Support services:				
Pupil	4,176,152	3,984,345	3,083,706	2,769,703
Instructional staff	1,580,488	886,734	1,642,183	889,918
Board of education	15,365	15,365	17,940	17,940
Administration	3,789,553	3,713,241	3,438,575	3,368,212
Fiscal	1,106,451	1,106,451	1,114,353	1,114,353
Business	196,293	196,293	355,076	355,076
Operations and maintenance	5,286,005	5,286,005	5,583,824	5,583,824
Pupil transportation	2,884,269	2,858,833	2,535,033	2,502,486
Central	671,137	593,701	456,052	418,007
Operation of non-instructional services:				
Food service operations	2,414,531	(200,557)	2,137,424	(445,389)
Other non-instructional services	496,671	20,751	429,906	(12,515)
Extracurricular activities	925,456	354,315	824,028	149,944
Interest and fiscal charges	3,199,761	3,199,761	2,719,784	2,719,784
Intergovernmental	-	-	6,274,737	6,274,737
Total expenses	$ 74,960,787	$ 63,272,066	$ 75,430,615	$ 63,554,818

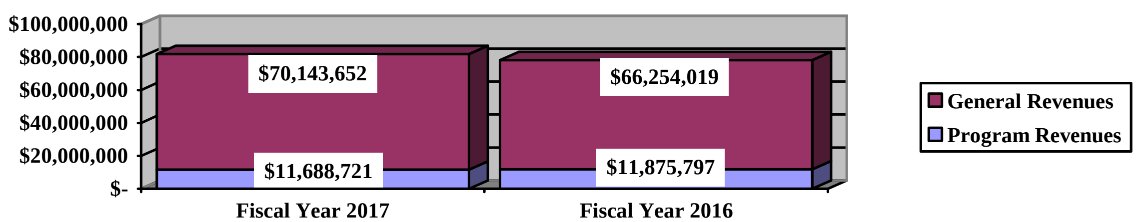
The dependence upon taxes and other general revenues for governmental activities is apparent, as 85.56% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.41%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for the District's students.

HUBER HEIGHTS SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The graph below presents the District's governmental activities revenues for fiscal years 2017 and 2016.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of $48,433,800, an increase from last year's total balance of $40,507,190. The table below indicates the fund balance and the total change in fund balance as of June 30, 2017 and June 30, 2016.

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Increase/ (Decrease)
General fund	$ 34,596,057	$ 24,348,496	$ 10,247,561
Nonmajor governmental funds	13,837,743	16,158,694	(2,320,951)
Total	$ 48,433,800	$ 40,507,190	$ 7,926,610

General Fund

The District's general fund balance increased $10,247,561.

The table that follows assists in illustrating the revenues of the general fund during fiscal years 2017 and 2016.

	2017 Amount	2016 Amount	Percentage Change
Revenues			
Property taxes	$ 27,016,061	$ 25,127,147	7.52 %
Tuition	445,927	620,701	(28.16) %
Investment earnings	173,133	237,275	(27.03) %
Extracurricular	375,074	481,019	(22.03) %
Classroom materials and fees	191,265	165,937	15.26 %
Intergovernmental	39,610,509	38,448,578	3.02 %
Other revenues	1,841,234	441,119	317.40 %
Total	$ 69,653,203	$ 65,521,776	6.31 %

The two largest revenue sources for the general fund, property taxes and intergovernmental, both increased in fiscal year 2017. The increase in intergovernmental revenues is primarily due to additional funding from the State Foundation Program, while the increase in property taxes is mostly due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditor. For the general fund, tax advances available at June 30, 2017 and 2016 was approximately $2.0 million and $0.9 million, respectively. Other revenues in 2017 include payments in lieu of taxes of approximately $1.15 million which the District began collecting in the current year.

Overall, general fund expenditures were comparable to the prior year. The table that follows assists in illustrating the expenditures of the general fund during fiscal years 2017 and 2016.

	2017 Amount	2016 Amount	Percentage Change
Expenditures			
Instruction	$ 41,982,585	$ 40,895,561	2.66 %
Support services	16,930,188	17,139,079	(1.22) %
Operation of non-instructional services	151	156	(3.21) %
Extracurricular activities	557,547	562,376	(0.86) %
Total	$ 59,470,471	$ 58,597,172	1.49 %

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources of $67,165,804 were increased to $68,084,469 in the final budget. Actual revenues and other financing sources were $68,849,015, which is $764,546 (1.12%) more than the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of $65,193,100 were decreased to $63,829,359 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled $60,360,762, which is $3,468,597 (5.43%) less than the final budgeted amounts. This variance is a result of the District's conservative approach to budgeting which ensures that actual expenditures do not exceed the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had $151,211,803 invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and vehicles.

The following table shows June 30, 2017 balances compared to those at June 30, 2016.

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2017	Restated 2016
Land	$ 915,794	$ 915,794
Construction in progress	139,557	13,062
Land improvements	1,181,919	1,270,250
Buildings and improvements	146,935,755	148,494,576
Machinery and equipment	976,626	1,042,580
Vehicles	1,062,152	1,037,408
Total	$ 151,211,803	$ 152,773,670

The overall decrease in capital assets is due to depreciation expense of $2,072,684 and net capital asset disposals of $41,050 exceeding capital outlays of $551,867.

See Note 7 in the notes to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2017, the District had $71,518,239 in general obligation bonds, certificates of participation and capital leases outstanding. Of this total, $2,014,356 is due within one year and $69,503,883 is due in more than one year. The following table summarizes the long-term obligations outstanding at June 30, 2017 and June 30, 2016.

	Governmental Activities	
	2017	2016
General Obligation Bonds	$ 70,055,000	$ 71,640,000
Certificates of Participation	1,110,000	1,215,000
Capital Leases	353,239	23,830
Total	$ 71,518,239	$ 72,878,830

Total long-term debt additions in fiscal year 2017 consisted of a capital lease for I.T. equipment in the amount of $421,965, and total reductions were $1,782,556.

See Note 8 in the notes to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Due to the current economic climate, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. Since the local contribution to public education continues to be based on property taxes, the recent reductions in home value reappraisals have had a negative effect on collections. Although rebounding slightly in the last two years, assessed property tax values in the District have decreased approximately $73.8 million or 9.8% since 2010.

In addition to property tax revenues, the District is heavily reliant on State Foundation funding. Under the new biennial State budget for fiscal years 2018 and 2019, the District will receive approximately $35.5 million in State Foundation aid in fiscal year 2018, or an increase of about $1.05 million.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Gina Helmick, Treasurer for the Huber Heights City School District, 5954 Longford Road, Huber Heights, Ohio 45424.

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	$ 23,642,251
Investments	28,352,276
Receivables:	
Property taxes	29,958,613
Payment in lieu of taxes	1,176,330
Accounts	83,499
Intergovernmental	1,339,888
Accrued interest	63,270
Prepayments	59,302
Materials and supplies inventory	237,441
Inventory held for resale	25,604
Capital assets:	
Nondepreciable capital assets	1,055,351
Depreciable capital assets, net	150,156,452
Capital assets, net	151,211,803
Total assets	236,150,277
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	9,670,303
Pension - STRS	14,337,975
Pension - SERS	4,148,722
Total deferred outflows of resources	28,157,000
Liabilities:	
Accounts payable	378,423
Contracts payable	139,557
Accrued wages and benefits payable	5,418,807
Intergovernmental payable	174,343
Pension and postemployment benefits payable	900,453
Accrued interest payable	259,087
Long-term liabilities:	
Due within one year	2,345,431
Due in more than one year:	
Net pension liability (See Note 12)	98,749,742
Other amounts	79,469,871
Total liabilities	187,835,714
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	26,854,831
Payment in lieu of taxes levied for the next fiscal year	1,176,330
Pension - STRS	1,464,848
Pension - SERS	301,838
Total deferred inflows of resources	29,797,847
Net position:	
Net investment in capital assets	81,873,973
Restricted for:	
Capital projects	5,357,727
Classroom facilities maintenance	3,312,117
Debt service	3,162,524
Locally funded programs	570
State funded programs	106,535
Federally funded programs	128,095
Student activities	84,578
Other purposes	1,767,563
Unrestricted (deficit)	(49,119,966)
Total net position	$ 46,673,716

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 30,394,660	$ 625,760	$ 133,683	$ (29,635,217)
Special	12,256,483	126,629	6,075,755	(6,054,099)
Vocational	11,580	-	-	(11,580)
Other	5,555,932	-	-	(5,555,932)
Support services:				
Pupil	4,176,152	-	191,807	(3,984,345)
Instructional staff	1,580,488	-	693,754	(886,734)
Board of education	15,365	-	-	(15,365)
Administration	3,789,553	-	76,312	(3,713,241)
Fiscal	1,106,451	-	-	(1,106,451)
Business	196,293	-	-	(196,293)
Operations and maintenance	5,286,005	-	-	(5,286,005)
Pupil transportation	2,884,269	25,436	-	(2,858,833)
Central	671,137	-	77,436	(593,701)
Operation of non-instructional services:				
Food service operations	2,414,531	749,293	1,865,795	200,557
Other non-instructional services	496,671	-	475,920	(20,751)
Extracurricular activities	925,456	571,141	-	(354,315)
Interest and fiscal charges	3,199,761	-	-	(3,199,761)
Total governmental activities	$ 74,960,787	$ 2,098,259	$ 9,590,462	(63,272,066)

General revenues:	
Property taxes levied for:	
General purposes	26,799,193
Debt service	4,226,122
Facilities maintenance	299,645
Capital outlay	599,290
Payment in lieu of taxes	1,155,507
Grants and entitlements not restricted to specific programs	36,200,820
Investment earnings	184,513
Miscellaneous	678,562
Total general revenues	70,143,652
Change in net position	6,871,586
Net position at beginning of year (restated)	39,802,130
Net position at end of year	$ 46,673,716

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	$ 9,709,181	$ 13,910,218	$ 23,619,399
Investments	28,352,276	-	28,352,276
Receivables:			
Property taxes	25,154,762	4,803,851	29,958,613
Payment in lieu of taxes	1,176,330	-	1,176,330
Accounts	83,499	-	83,499
Intergovernmental	575,688	764,200	1,339,888
Accrued interest	63,270	-	63,270
Interfund loans	348,092	-	348,092
Prepayments	56,557	2,745	59,302
Materials and supplies inventory	229,159	8,282	237,441
Inventory held for resale	-	25,604	25,604
Restricted assets:			
Equity in pooled cash and cash equivalents	-	22,852	22,852
Total assets	$ 65,748,814	$ 19,537,752	$ 85,286,566
Liabilities:			
Accounts payable	$ 328,091	$ 50,332	$ 378,423
Contracts payable	-	139,557	139,557
Accrued wages and benefits payable	5,008,499	410,308	5,418,807
Compensated absences payable	138,819	-	138,819
Intergovernmental payable	168,855	5,488	174,343
Pension and postemployment benefits payable	808,049	92,404	900,453
Interfund loans payable	-	348,092	348,092
Total liabilities	6,452,313	1,046,181	7,498,494
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	22,547,481	4,307,350	26,854,831
Payment in lieu of taxes levied for the next fiscal year	1,176,330	-	1,176,330
Delinquent property tax revenue not available	637,744	119,023	756,767
Intergovernmental revenue not available	313,308	227,455	540,763
Accrued interest not available	25,581	-	25,581
Total deferred inflows of resources	24,700,444	4,653,828	29,354,272
Fund balances:			
Nonspendable:			
Materials and supplies inventory	229,159	8,282	237,441
Prepayments	56,557	2,745	59,302
Restricted:			
Debt service	-	3,323,499	3,323,499
Capital improvements	-	5,343,660	5,343,660
Classroom facilities maintenance	-	3,305,147	3,305,147
Food service operations	-	1,842,654	1,842,654
Auxiliary services	-	111,734	111,734
Extracurricular activities	-	84,578	84,578
Staff developoment and support	-	881	881
Other purposes	-	22,852	22,852
Committed:			
Pollution remediation	11,000	-	11,000
Assigned:			
Student instruction	168,753	-	168,753
Student and staff support	569,128	-	569,128
Extracurricular activities	1,871	-	1,871
School supplies	12,910	-	12,910
Unassigned (deficit)	33,546,679	(208,289)	33,338,390
Total fund balances	34,596,057	13,837,743	48,433,800
Total liabilities, deferred inflows of resources and fund balances	$ 65,748,814	$ 19,537,752	$ 85,286,566

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		$ 48,433,800
Amounts reported for governmental activities on 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.		151,211,803
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds.		
Delinquent property taxes	$ 756,767	
Intergovernmental	540,763	
Accrued interest	25,581	
Total		1,323,111
Unamortized premiums on bonds issued are not recognized in the funds.		(7,843,133)
Unamortized deferred charges on debt refundings are not recognized in the funds.		9,670,303
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(259,087)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.		
Deferred outflows of resources - pensions	18,486,697	
Deferred inflows of resources - pensions	(1,766,686)	
Net pension liability	(98,749,742)	
Total		(82,029,731)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(70,055,000)	
Certificates of participation	(1,110,000)	
Capital lease obligations	(353,239)	
Compensated absences	(2,315,111)	
Total		(73,833,350)
Net position of governmental activities		$ 46,673,716

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Property taxes	$ 27,016,061	$ 5,169,202	$ 32,185,263
Payment in lieu of taxes	1,155,507	-	1,155,507
Tuition.	445,927	-	445,927
Transportation fees.	25,436	-	25,436
Charges for services	-	749,293	749,293
Investment earnings	173,133	1,116	174,249
Extracurricular.	375,074	309,781	684,855
Classroom materials and fees	191,265	-	191,265
Other local revenues	660,291	2,500	662,791
Intergovernmental - intermediate	294,102	-	294,102
Intergovernmental - state	38,829,319	1,383,434	40,212,753
Intergovernmental - federal	487,088	4,759,255	5,246,343
Total revenues	69,653,203	12,374,581	82,027,784
Expenditures:			
Current:			
Instruction:			
Regular.	26,572,881	1,088,455	27,661,336
Special	9,844,235	1,918,612	11,762,847
Vocational	11,580	-	11,580
Other	5,553,889	-	5,553,889
Support services:			
Pupil	3,854,482	192,450	4,046,932
Instructional staff	780,678	708,076	1,488,754
Board of education	14,364	-	14,364
Administration	3,561,319	76,033	3,637,352
Fiscal	990,241	66,584	1,056,825
Business.	188,684	-	188,684
Operations and maintenance	4,429,090	693,112	5,122,202
Pupil transportation	2,537,484	210,684	2,748,168
Central	573,846	77,199	651,045
Operation of non-instructional services:			
Food service operations.	-	2,402,706	2,402,706
Other non-instructional services	151	486,118	486,269
Extracurricular activities	557,547	323,325	880,872
Facilities acquisition and construction.	-	263,203	263,203
Debt service:			
Principal retirement.	-	1,782,556	1,782,556
Interest and fiscal charges	-	3,121,973	3,121,973
Payment to refunded bond escrow agent	-	1,715,000	1,715,000
Total expenditures	59,470,471	15,126,086	74,596,557
Excess (deficiency) of revenues over (under) expenditures.	10,182,732	(2,751,505)	7,431,227
Other financing sources:			
Proceeds from sale of assets	60,804	-	60,804
Capital lease transaction	-	421,965	421,965
Total other financing sources.	60,804	421,965	482,769
Net change in fund balances	10,243,536	(2,329,540)	7,913,996
Fund balances at beginning of year	24,348,496	16,158,694	40,507,190
Increase (decrease) in reserve for inventory	4,025	8,589	12,614
Fund balances at end of year.	$ 34,596,057	$ 13,837,743	$ 48,433,800

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds		$ 7,913,996
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital asset additions	$ 551,867	
Current year depreciation	(2,072,684)	
Total		(1,520,817)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(41,050)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		12,614
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	(261,013)	
Intergovernmental	(138,899)	
Investment earnings	11,330	
Total		(388,582)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		1,782,556
The inception of capital leases is recorded as an other financing source in the funds; however, in the statement of activities, it is not reported as an other financing source as it increases liabilities on the statement of net position.		(421,965)
Payment to refunded bond escrow agent is an expenditure in the governmental funds, but the payment is reported as a deferred outflow of resources on the statement of net position and amortized over the life of the refunded debt.		1,715,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in higher interest and fiscal charges reported in the statement of activities:		
Decrease in accrued interest payable	967	
Amortization of bond premiums	481,987	
Amortization of deferred charges on refunding	(560,742)	
Total		(77,788)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		5,074,019
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		(6,979,001)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(197,396)
Change in net position of governmental activities		$ 6,871,586

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
From local sources:				
Property taxes	$ 26,339,963	$ 26,077,544	$ 25,956,296	$ (121,248)
Payment in lieu of taxes	-	1,128,085	1,155,507	27,422
Tuition	375,498	375,498	445,927	70,429
Transportation fees	15,112	15,112	24,344	9,232
Investment earnings	60,000	262,940	381,240	118,300
Extracurricular	305,137	278,437	261,360	(17,077)
Classroom materials and fees	-	-	1,454	1,454
Other local revenues	255,000	-	637,014	637,014
Intergovernmental - intermediate	300,000	-	294,102	294,102
Intergovernmental - state	38,813,094	39,332,159	38,750,352	(581,807)
Intergovernmental - federal	452,000	260,902	525,201	264,299
Total revenues	66,915,804	67,730,677	68,432,797	702,120
Expenditures:				
Current:				
Instruction:				
Regular	29,048,556	28,546,043	26,522,207	2,023,836
Special	9,920,552	9,768,455	9,714,988	53,467
Vocational	-	12,000	11,580	420
Other	5,699,397	5,720,297	5,559,013	161,284
Support services:				
Pupil	3,307,769	3,720,276	3,957,258	(236,982)
Instructional staff	831,856	853,699	906,557	(52,858)
Board of education	21,825	21,825	14,885	6,940
Administration	4,054,455	4,055,531	3,617,115	438,416
Fiscal	1,217,555	1,217,555	999,660	217,895
Business	399,954	322,954	195,785	127,169
Operations and maintenance	5,883,170	5,150,621	4,771,065	379,556
Pupil transportation	3,396,532	2,932,532	2,600,029	332,503
Central	572,010	570,010	578,392	(8,382)
Extracurricular activities	589,469	589,469	564,136	25,333
Total expenditures	64,943,100	63,481,267	60,012,670	3,468,597
Excess of revenues over expenditures	1,972,704	4,249,410	8,420,127	4,170,717
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	1,622	1,622
Proceeds from sale of assets	-	-	60,804	60,804
Advances in	250,000	353,792	353,792	-
Advances (out)	(250,000)	(348,092)	(348,092)	-
Total other financing sources (uses)	-	5,700	68,126	62,426
Net change in fund balance	1,972,704	4,255,110	8,488,253	4,233,143
Fund balance at beginning of year	27,424,308	27,424,308	27,424,308	-
Prior year encumbrances appropriated	1,207,387	1,207,387	1,207,387	-
Fund balance at end of year	$ 30,604,399	$ 32,886,805	$ 37,119,948	$ 4,233,143

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private-Purpose Trust	
	Special Trust	**Agency**
Assets:		
Equity in pooled cash and investments	$ 8,876	$ 127,096
Receivables:		
Intergovernmental	-	26
Prepayments	-	10
Total assets	8,876	$ 127,132
Liabilities:		
Accounts payable	790	$ -
Due to students	-	76,366
Due to others	-	50,766
Total liabilities	790	$ 127,132
Net position:		
Held in trust for scholarships	8,086	
Total net position	$ 8,086	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	$ 2,131
Deductions:	
Gifts, awards and scholarships	3,790
Change in net position	(1,659)
Net position at beginning of year	9,745
Net position at end of year.	$ 8,086

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE DISTRICT

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

The District is governed by a locally elected five member Board of Education (the "Board") which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 236 non-certified and approximately 379 certified teaching personnel and administrative employees providing education to 5,811 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, '*The Financial Reporting Entity*,' as amended by GASB Statements 39, '*Determining Whether Certain Organizations Are Component Units - An Amendment of GASB Statement No. 14*,' and 61, '*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*,' in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statements No. 14, 39 and 61 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The District is associated with five organizations which are defined as jointly governed, and one public entity risk pool. These organizations include the Metropolitan Educational Technical Association (META), the Southwestern Ohio Educational Purchasing Council, the Miami Valley Career Technology Center, Southwestern Ohio Instructional Technology Association, the Shared Resources Center Regional Council of Governments, and the Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

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

B. Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are grouped into the categories governmental and fiduciary.

GOVERNMENTAL FUNDS

These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following is the District's major governmental fund:

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

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs, gifts and awards for specific students. State law permits the District to appropriate for purposes consistent with the endowment's intent, net appreciation, both realized and unrealized. The District's agency funds account for various student-managed activity programs and athletic tournament monies. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

C. Basis of Presentation and Measurement Focus

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

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

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

Fiduciary funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

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. The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end.

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

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

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

Revenue considered susceptible to accrual at year end includes property taxes, tuition, grants, student fees, and interest on investments.

Current property taxes measurable at June 30, 2017 which are not intended to finance fiscal year 2017 operations have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year. The Montgomery County Auditor has waived the tax budget requirement.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the function level in the General Fund and fund level for all other funds. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year. The Montgomery County Auditor has waived the tax budget requirement.

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

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2017.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the function level in the General Fund and fund level for all other funds. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be re-appropriated.

5. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

F. Cash and Cash Equivalents

During fiscal year 2017, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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

The District pools its cash for investment and resource management purposes. Each fund's cash and cash equivalents on the balance sheet represents the balance on hand as if each fund maintained its own cash account. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

The District invested funds in the STAR Ohio during fiscal year 2017. STAR 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 and is recognized as an external investment pool by the District. The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to $173,133, which includes $53,334 assigned from other District funds.

H. Prepayments

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

I. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of food service inventory held for resale and expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds when purchased.

J. Capital Assets and Depreciation

Governmental capital assets are those that are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds. These assets are capitalized at cost (or estimated historical cost for assets not purchased in recent years) within the governmental activities in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000.

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

Contributed capital assets are recorded at acquisition value at the date received. The District does not possess any infrastructure. Historical costs for governmental activities capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

All capital assets are depreciated excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives
Land Improvements	20 Years
Buildings and Improvements	25 - 100 Years
Machinery and Equipment	5 - 20 Years
Vehicles	10 Years

K. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General Obligation Bonds	Debt Service Fund
Certificates of Participation	Permanent Improvement Fund
Capital Leases Payable	Permanent Improvement Fund
Compensated Absences	General Fund, Food Service Fund

L. Compensated Absences

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for classified employees after 20 years of current service with the School District and for certified employees and administrators after 20 years of service.

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

For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the fund financial statements. In the government wide statement of net position, “compensated absences payable” is recorded within the “due within one year” account and the long-term portion of the liability is recorded within the “due in more than one year” account.

M. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The majority of the amount restricted for other purposes represented amounts restricted for food services. At June 30, 2017, there was no net position restricted by enabling legislation.

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

N. Pensions

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

O. Interfund Activity

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

P. Restricted Assets

Cash with fiscal agent represents cash and cash equivalents restricted in use for the purchase of bricks for a memorial courtyard.

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

Q. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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

R. Deferred Outflows of Resources and Deferred Inflows of Resources

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, intergovernmental grants, and investment earnings. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

S. Estimates

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. In fiscal 2017, the District reported no extraordinary or special items.

U. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 20); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

Nonmajor funds	Deficit
Miscellaneous state grants	$ 2,537
IDEA Part B	98,415
Title III	988
Title I	96,860
IDEA preschool grant for the handicapped	4,251
Improving teacher quality	5,238

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

C. Prior Period Adjustment and Restatement of Net Position

Net position at June 30, 2016 has been restated in order to properly reflect the historic cost and accumulated depreciation of the District's capital assets. This restatement had the following effect on net position:

	Governmental Activities
Net position as previously reported	$ 43,526,078
Restatement of capital assets	(3,723,948)
Restated net position at June 30, 2016	$ 39,802,130

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;

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

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

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year end, the District had $2,500 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was $8,498,359. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, $8,344,389 of the District’s bank balance of $8,594,389 was exposed to custodial risk as $250,000 was covered by the FDIC.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS - (Continued)

C. Investments

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

		Investment Maturities			
Measurement/ Investment Type	Measurement Value	6 months or less	7 to 12 months	13 to 18 months	Greater than 24 months
Fair value:					
FHLB	$ 3,249,760	$ 794,746	$ -	$ -	$ 2,455,014
FHLMC	3,121,662	-	-	-	3,121,662
FNMA	8,654,852	-	109,745	-	8,545,107
Negotiable CDs	4,783,933	639,087	-	731,874	3,412,972
Commercial Paper	8,495,795	5,097,359	3,398,436	-	-
U.S. Treasury Obligations	46,274	46,274	-	-	-
Amortized cost:					
STAR Ohio	15,254,512	15,254,512	-	-	-
Total	$ 43,606,788	$ 21,831,978	$ 3,508,181	$ 731,874	$ 17,534,755

The weighted average maturity of investments is 1.43 years.

The District's investments measured at fair value are valued using quoted market prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's investment policy addresses interest rate risk by requiring the consideration of cash flow requirements and market conditions in determining the term of an investment, and limiting investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's mutual funds carry a rating of AAAm and Aaa-mf by Standard & Poor's and Moody's Investor Services, respectively. The negotiable certificates of deposit are not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: Other than investments in negotiable CDs, which are fully covered by the FDIC, all District investments are exposed to custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer.

Measurement/ Investment Type	Measurement Value	% of Total
Fair value:		
FHLB	$ 3,249,760	7.45
FHLMC	3,121,662	7.16
FNMA	8,654,852	19.85
Negotiable CDs	4,783,933	10.97
Commercial Paper	8,495,795	19.48
U.S. Treasury Obligations	46,274	0.11
Amortized cost:		
STAR Ohio	15,254,512	34.98
Total	$ 43,606,788	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

Cash and investments per note	
Carrying amount of deposits	$ 8,498,359
Investments	43,606,788
Cash with fiscal agent	22,852
Cash on hand	2,500
Total	$ 52,130,499

Cash and investments per statement of net position	
Governmental activities	$ 51,994,527
Private-purpose trust fund	8,876
Agency funds	127,096
Total	$ 52,130,499

NOTE 5 - PROPERTY TAXES

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

NOTE 5 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was $1,969,537 in the general fund, $311,007 in the debt service fund, $44,314 in the permanent improvement fund and $22,157 in the classroom facilities maintenance fund. This amount is recorded as revenue. The amount available as an advance at June 30, 2016 was $909,772 in the general fund, $144,220 in the debt service fund, $20,528 in the permanent improvement fund and $10,264 in the classroom facilities maintenance fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 655,270,550	98.00	$ 663,340,920	97.90
Public utility personal	13,366,010	2.00	14,257,010	2.10
Total	$ 668,636,560	100.00	$ 677,597,930	100.00
Tax rate per $1,000 of assessed valuation	$ 66.74		$ 66.74	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, payment in lieu of taxes, intergovernmental grants and entitlements, accounts (fees and reimbursements) and accrued interest. Receivables have been disaggregated on the face of the basic financial statements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. All receivables are expected to be collected within the subsequent year. A summary of intergovernmental receivables follows:

	Governmental Activities
Medicaid School Program	$ 291,826
SERS Refund	21,482
State Foundation Program	77,610
BWC Rebate	191,889
Parent Mentor Grant	5,620
IDEA Part B Grant	261,692
Title III Grant	3,498
Title I Grant	357,324
IDEA Preschool Grant for the Handicapped	10,280
Improving Teacher Quality Grant	118,667
Total	$ 1,339,888

NOTE 7 - CAPITAL ASSETS

Capital asset balances have been restated in order to properly reflect the historic cost and accumulated depreciation of the District's capital assets, as summarized in the table below.

	Previous Balance 06/30/16	Adjustments	Restated Balance 06/30/16
Governmental activities:			
Capital assets, not being depreciated:			
Land	$ 965,003	$ (49,209)	$ 915,794
Construction in progress	13,062	-	13,062
Total capital assets, not being depreciated	978,065	(49,209)	928,856
Capital assets, being depreciated:			
Land Improvements	2,241,606	17,830	2,259,436
Buildings and Improvements	158,008,853	-	158,008,853
Machinery and Equipment	2,405,912	105,989	2,511,901
Vehicles	4,011,348	(207,837)	3,803,511
Total capital assets, being depreciated	166,667,719	(84,018)	166,583,701
Less: accumulated depreciation:			
Land Improvements	(909,600)	(79,586)	(989,186)
Buildings and Improvements	(5,998,350)	(3,515,927)	(9,514,277)
Machinery and Equipment	(1,399,080)	(70,241)	(1,469,321)
Vehicles	(2,841,136)	75,033	(2,766,103)
Total accumulated depreciation	(11,148,166)	(3,590,721)	(14,738,887)
Governmental activities capital assets, net	$ 156,497,618	$ (3,723,948)	$ 152,773,670

NOTE 7 - CAPITAL ASSETS - (Continued)

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

	Restated Balance 06/30/16	Additions	Deductions	Balance 06/30/17
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 915,794	$ -	$ -	$ 915,794
Construction in progress	13,062	139,557	(13,062)	139,557
Total capital assets, not being depreciated	928,856	139,557	(13,062)	1,055,351
Capital assets, being depreciated:				
Land Improvements	2,259,436	6,384	-	2,265,820
Buildings and Improvements	158,008,853	22,938	-	158,031,791
Machinery and Equipment	2,511,901	66,932	-	2,578,833
Vehicles	3,803,511	329,118	(469,417)	3,663,212
Total capital assets, being depreciated	166,583,701	425,372	(469,417)	166,539,656
Less: accumulated depreciation:				
Land Improvements	(989,186)	(94,715)	-	(1,083,901)
Buildings and Improvements	(9,514,277)	(1,581,759)	-	(11,096,036)
Machinery and Equipment	(1,469,321)	(132,886)	-	(1,602,207)
Vehicles	(2,766,103)	(263,324)	428,367	(2,601,060)
Total accumulated depreciation	(14,738,887)	(2,072,684)	428,367	(16,383,204)
Governmental activities capital assets, net	$ 152,773,670	$ (1,507,755)	$ (54,112)	$ 151,211,803

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 1,743,004
Special	27,842
Support services:	
Administration	1,065
Fiscal	706
Operations and maintenance	88,296
Pupil transportation	203,167
Food service operations	4,726
Extracurricular activities	3,878
Total depreciation expense	$ 2,072,684

NOTE 8 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the long-term debt of the District for the fiscal year ended June 30, 2017 is as follows:

	Balance 6/30/16	Increases	Decreases	Balance 6/30/17	Amount Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2010 School Improvement - 2.0-5.0%	$ 5,800,000	$ -	$ -	$ 5,800,000	$ 1,765,000
2015 Refunding - 4.0%	8,565,000	-	-	8,565,000	-
2016 Refunding - 3.0-5.0%	57,275,000	-	(1,585,000)	55,690,000	-
Certificate of Participation:					
2010 School Improvement - 6.75%	1,215,000	-	(105,000)	1,110,000	110,000
Net Pension Liability	79,952,135	18,797,607	-	98,749,742	-
Capital Leases Payable	23,830	421,965	(92,556)	353,239	139,356
Compensated Absences	2,225,125	553,036	(324,231)	2,453,930	331,075
Total Long-Term Debt and Other Obligations	$155,056,090	$ 19,772,608	$ (2,106,787)	172,721,911	$ 2,345,431
Add unamortized premium on bonds				7,843,133	
Total reported on the Statement of Net Position				$180,565,044	

Refer to Note 9 for more detail on the capital lease and Note 12 for more detail on the net pension liability.

The 2010 general obligation bonds and certificates of participation were originally issued in the amounts of $82 million and $1.7 million, respectively, and were issued to finance the construction of seven new school buildings.

A portion of the 2010 general obligation bonds was refunded during fiscal year 2016 with the 2015 Refunding bonds, issued in the amount of $8,565,000. Issuance proceeds of $9,836,745 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt in considered defeased (in substance) and accordingly has been removed from the statement of net position. At June 30, 2017, $8,730,000 of this debt was outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by $1,106,745. This amount is amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, and is reported as a deferred outflow of resources on the statement of net position. The refunding was undertaken to reduce total debt service payments by $657,939 and resulted in an economic gain of $586,374.

A portion of the 2010 general obligation bonds was refunded during fiscal year 2016 with the 2016 Refunding bonds, issued in the amount of $57,275,000. Issuance proceeds of $66,864,618 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt in considered defeased (in substance) and accordingly has been removed from the statement of net position. At June 30, 2017, $57,630,000 of this debt was outstanding.

NOTE 8 - LONG-TERM DEBT AND OTHER OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by $9,234,618. This amount is amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, and is reported as a deferred outflow of resources on the statement of net position. The refunding was undertaken to reduce total debt service payments by $11,507,385 and resulted in an economic gain of $5,780,827.

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

Fiscal	General Obligation Bonds			Certificates of Participation		
Year Ending,	Principal	Interest	Total	Principal	Interest	Total
2018	$ 1,765,000	$ 2,866,481	$ 4,631,481	$ 110,000	$ 71,213	$ 181,213
2019	1,980,000	2,800,675	4,780,675	115,000	63,619	178,619
2020	2,055,000	2,712,175	4,767,175	125,000	55,519	180,519
2021	2,125,000	2,607,675	4,732,675	135,000	46,744	181,744
2022	2,395,000	2,494,675	4,889,675	140,000	37,463	177,463
2023 - 2027	14,275,000	10,688,350	24,963,350	485,000	50,793	535,793
2028 - 2032	19,610,000	6,982,550	26,592,550	-	-	-
2033 - 2037	25,850,000	2,205,000	28,055,000	-	-	-
Total	$ 70,055,000	$ 33,357,581	$ 103,412,581	$ 1,110,000	$ 325,351	$ 1,435,351

NOTE 9 - CAPITALIZED LEASE

The District has entered into a lease agreement to acquire information technology equipment, which is recorded as a capital lease. The equipment acquired under the lease has not been recorded as capital assets since the items individually are below the District's capitalization threshold of $5,000. A liability of $421,965 has been recorded in the government-wide financial statements, which represents the value of the future minimum lease payments at inception.

The following is a schedule of the future long-term minimum lease payments required under the lease agreement and the present value of the future minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30	Amount
2018	$ 144,670
2019	144,669
2020	72,334
Total minimum lease payments	361,673
Less: amount representing interest	(8,434)
Total	$ 353,239

NOTE 10 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into a reserve. During the fiscal year ended June 30, 2017, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside balance June 30, 2016	$ -
Current year set-aside requirement	1,013,764
Current year offsets	(1,116,282)
Total	$ (102,518)
Balance carried forward to fiscal year 2018	$ -
Set-aside balance June 30, 2017	$ -

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, the extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Ohio School Plan for insurance. This policy has a limit of insurance in the amount of $221,426,529 for property. The base policy for vehicle liability insurance is $5,000,000 per occurrence. The Treasurer is bonded.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The District is a member of the Southwestern Ohio Educational Purchasing Council (SOEPC). The council contracts with Comp Management to provide an insurance purchasing pool for workers compensation. The intent of the pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the pool. The workers compensation experience of the participation school districts is calculated as one experience and a common premium rate is applied to all school districts in the pool. Each participant pays this rate. Total savings is then calculated and each participants individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to school districts that can meet the pool’s selection criteria. Comp Management provides administrative cost control and actuarial services to the SOEPC.

The District has elected to provide employee medical benefits through United Health Care as part of an insurance purchasing pool through the SOEPC. The employees share the cost of the monthly premium with the board for single and family plans. The board pays 85 percent of the premium.

The District provides life insurance to employees through Sun Life Insurance.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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

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

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

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

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

B. Plan Description - School Employees Retirement System (SERS)

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 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 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $1,078,157 for fiscal year 2017. Of this amount, $64,956 is reported as pension and postemployment benefits payable.

C. Plan Description - State Teachers Retirement System (STRS)

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined 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, 11.5 percent of the 13 percent member rate goes to the DC Plan and the remaining 1.5 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. 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 that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $3,995,862 for fiscal year 2017. Of this amount, $704,756 is reported as pension and postemployment benefits payable.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.22555390%	0.24272399%	
Proportion of the net pension liability current measurement date	0.23414150%	0.24381654%	
Change in proportionate share	0.00858760%	0.00109255%	
Proportionate share of the net pension liability	$ 17,136,997	$ 81,612,745	$ 98,749,742
Pension expense	$ 1,673,114	$ 5,305,887	$ 6,979,001

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 231,140	$ 3,297,546	$ 3,528,686
Net difference between projected and actual earnings on pension plan investments	1,413,554	6,776,050	8,189,604
Changes of assumptions	1,143,988	-	1,143,988
Difference between District contributions and proportionate share of contributions/ change in proportionate share	281,883	268,517	550,400
District contributions subsequent to the measurement date	1,078,157	3,995,862	5,074,019
Total deferred outflows of resources	$ 4,148,722	$ 14,337,975	$ 18,486,697
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	$ 301,838	$ 1,464,848	$ 1,766,686
Total deferred inflows of resources	$ 301,838	$ 1,464,848	$ 1,766,686

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

$5,074,019 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$ 659,754	$ 1,173,801	$ 1,833,555
2019	658,738	1,173,801	1,832,539
2020	1,043,895	3,773,960	4,817,855
2021	406,340	2,755,703	3,162,043
Total	$ 2,768,727	$ 8,877,265	$ 11,645,992

E. Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015.

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 22,688,316	$ 17,136,997	$ 12,490,312

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$ 108,456,707	$ 81,612,745	$ 58,968,281

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - In addition to a cost-sharing multiple-employer defined benefit pension plan described in Note 14, the School Employees Retirement System (SERS) administers two postemployment benefit plans.

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

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

The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer 14 percent contributions to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated 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 according to service credit earned. By statute no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $130,875, $120,395, and $196,251, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

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 services, Medicare eligibility, and retirement status.

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

B. State Teachers Retirement System

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

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

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. 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.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, no allocation was made to post-employment health care for the years ended June 30, 2017, June 30, 2016 and June 30, 2015. The 14 percent employer contribution rate is the maximum established under Ohio law.

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Technical Association - The District participates in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client’s needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META’s Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District’s degree of control is limited to its representation on the Board. The District paid META $194,078 for services provided during fiscal year 2017. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council - The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOPEC. Each member district has one voting representative. Any district withdrawing from the SOPEC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from various funds. The District did not make any payments to SOEPC during fiscal year 2017. To obtain financial information, write to Southwestern Ohio Educational Purchasing Council, Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Miami Valley Career Technology Center - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of seventeen members elected from twenty-seven participating school districts. The Board possesses its own budgeting and taxing authority. During fiscal year 2017, the District did not make any payments to Miami Valley Career Technology Center. Financial information can be obtained from Matt Hoffman, who serves as Treasurer, at 6800 Hoke Road, Englewood, Ohio 45315.

Southwestern Ohio Instructional Technology Association (SOITA) - SOITA is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs.

NOTE 14 - JOINTLY GOVERNED ORGANIZATION - (Continued)

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members of those counties i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2017, the District paid $9,997 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 1205 East Fifth Street, Dayton, Ohio 45402.

Shared Resources Center Regional Council of Governments - The District participates in the Shared Resources Center Regional Council of Governments (Council), a jointly governed organization consisting of educational entities within Montgomery County. The purpose of the Council is to provide cost effective services to its members and to other entities, enhance and facilitate relationships between stakeholders in the public and private sector, and collaborate on research and development for innovations in education and local government. The Council is governed by a Governing Board, consisting of one individual from each of the seven original members, including the District. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Board. Financial information can be obtained from the Montgomery County Educational Service Center, 200 South Keowee Street, Dayton, Ohio, 45402.

NOTE 15 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan - The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative. The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. In fiscal year 2017, the District contributed $6,119,563 to the Trust. Financial information can be obtained from Doug Merkle, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not party to legal proceedings to legal proceedings that, in the opinion of management, would have a material impact on the financial statements.

C. Foundation Funding

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

NOTE 17 - COMMITMENTS

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

Fund	Year-End Encumbrances
General	$ 562,219
Nonmajor governmental	271,401
Total	$ 833,620

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);

(e) Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis); and,

(f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General fund
Budget basis	$ 8,488,253
Net adjustment for revenue accruals	916,881
Net adjustment for expenditure accruals	41,537
Net adjustment for other sources/uses	(7,322)
Funds budgeted elsewhere	(30,020)
Adjustment for encumbrances	834,207
GAAP basis	$ 10,243,536

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, rotary fund, public school support fund and underground storage tanks fund.

NOTE 19 - INTERFUND TRANSACTIONS

Interfund loans at June 30, 2017 as reported on the fund financial statements consist of $348,092 due to the general fund from various nonmajor governmental funds. The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 20 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The City of Huber Heights provides tax abatements through Community Reinvestment Area (CRA) agreements. Under the agreements, various businesses receive the abatement of property taxes in exchange for bringing jobs and economic development to the City. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District's property taxes were reduced by $193,577 during fiscal year 2017.

REQUIRED SUPPLEMENTARY INFORMATION

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2017	2016	2015
District's proportion of the net pension liability	0.23414150%	0.22555390%	0.23711800%
District's proportionate share of the net pension liability	$ 17,136,997	$ 12,870,324	$ 12,000,406
District's covered-employee payroll	$ 6,465,521	$ 6,791,495	$ 6,929,278
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	265.05%	189.51%	173.18%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2017	2016	2015
District's proportion of the net pension liability	0.24381654%	0.24272399%	0.25040112%
District's proportionate share of the net pension liability	$ 81,612,745	$ 67,081,811	$ 60,906,219
District's covered-employee payroll	$ 25,838,086	$ 23,562,886	$ 27,062,346
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	315.86%	284.69%	225.06%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
Contractually required contribution	$ 1,078,157	$ 905,173	$ 895,119	$ 960,398
Contributions in relation to the contractually required contribution	(1,078,157)	(905,173)	(895,119)	(960,398)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 7,701,121	$ 6,465,521	$ 6,791,495	$ 6,929,278
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2017	**2016**	**2015**	**2014**
Contractually required contribution	$ 3,995,862	$ 3,617,332	$ 3,298,804	$ 3,518,105
Contributions in relation to the contractually required contribution	(3,995,862)	(3,617,332)	(3,298,804)	(3,518,105)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 28,541,871	$ 25,838,086	$ 23,562,886	$ 27,062,346
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2015-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2015-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2015 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2015 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2015-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2015-2017. See the notes to the basic financials for the methods and assumptions in this calculation.

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/ ***Pass-Through Grantor/*** Program or Cluster Title	**Federal CFDA Number**	**Pass-Through Grantor Number**	**Expenditures**	**Non-Cash Expenditures**
U.S. Department of Agriculture				
Passed through the Ohio Department of Education				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	$ 327,805	$ 0
National School Lunch Program	10.555	N/A	1,315,856	186,289
Special Milk Program for Children	10.556	N/A	4,447	0
Summer Food Service Program for Children	10.559	N/A	9,891	0
Total Child Nutrition Cluster			1,657,999	186,289
Total U.S. Department of Agriculture			1,657,999	186,289
U.S. Department of Education				
Passed through the Ohio Department of Education				
Title I, Grants to Local Educational Agencies	84.010	S010A150035	1,464,326	0
Special Education Cluster:				
Special Education Grants to States	84.027	H027A150111	1,174,732	0
Special Education Preschool Grant	84.173	H173A150119	51,631	0
Total Special Education Cluster			1,226,363	0
Improving Teacher Quality State Grants	84.367	S367A150034	191,266	0
English Language Acquisition State Grants	84.365	N/A	18,498	0
Total U.S. Department of Education			2,900,453	0
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 4,558,452	$ 186,289

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

NOTE 1: **BASIS OF PRESENTATION**

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

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. **INDIRECT COST RATE**

The District has elected not to use the 10 percent de minims indirect cost rate allowed under the Uniform Guidance

NOTE 4: **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 5. **FOOD DONATION PROGRAM**

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

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

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

To the Members of Board of Education
Huber Heights City School District
Huber Heights, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huber Heights City School District, Montgomery County, Ohio, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2017, wherein we noted the District restated its net position at June 30, 2016 to properly reflect the historic cost and accumulated depreciation of the District's capital assets.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 15, 2017

JAMES G. ZUPKA, C.P.A., INC.
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of Board of Education
Huber Heights City School District
Huber Heights, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the Huber Heights City School District, Montgomery County, Ohio's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 15, 2017

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

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

2017(i)	Type of Financial Statement Opinion	Unmodified
2017(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2017(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2017(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2017(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2017(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2017(v)	Type of Major Program's Compliance Opinion	Unmodified
2017(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2017(vii)	Major Programs (list): Special Education Cluster-CFDA #84.027 and CFDA #84.173	
2017(viii)	Dollar Threshold: Type A\B Program	Type A: $750,000 or more Type B: All others
2017(ix)	Low Risk Auditee?	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.

HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The prior audit report, as of June 30, 2016, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

HUBER HEIGHTS CITY SCHOOL DISTRICT

MONTGOMERY 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 1, 2018

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