



OHIO AUDITOR OF STATE
KEITH FABER



**NEW MIAMI LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

New Miami Local School District
Butler County
600 Seven Mile Avenue
Hamilton, Ohio 45011

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District, Butler County, Ohio, as of June 30, 2019, and the respective changes in financial for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

January 27, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the New Miami Local School District (the "School District") for the fiscal year ended June 30, 2019. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2019 are listed below:

- The assets and deferred outflows of resources the School District exceeded its liabilities and deferred inflows of resources at year-end by \$5.4 million. Of this amount, \$9.2 million is invested in capital assets, net of accumulated depreciation and related debt. The School District also reported an unrestricted deficit net position balance of \$4.5 million due to its recognition of its proportionate share of the state-wide retirement systems' unfunded liabilities.
- In total, net position increased by approximately \$950,000.
- The School District had \$10.0 million in expenses related to governmental activities; only \$2.7 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$8.3 million, made up primarily of property and income taxes and State Foundation payments, provided the majority of funding for these programs.
- The General Fund balance increased by \$156,896, from \$3,645,234 at June 30, 2018 to \$3,802,130 at June 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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The statement of activities presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

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

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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.

Other information. In addition to basic financial statements and accompanying notes, this report also contains required supplementary information regarding the budget of the General Fund and required pension and other postemployment benefit information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net Position at Fiscal Year-End

The following table presents a condensed summary of the School District's overall financial position at June 30, 2019 and 2018:

	<u>FY2019</u>	<u>FY2018</u>
Assets:		
Current and other assets	\$ 8,039,076	6,129,372
Capital assets	10,269,859	10,300,977
Total assets	<u>18,308,935</u>	<u>16,430,349</u>
Deferred outflows of resources	<u>3,401,710</u>	<u>4,250,893</u>
Liabilities:		
Long-term liabilities:		
Due more than one year:		
Net pension liability	9,179,176	10,235,789
Net OPEB liability	1,104,250	2,318,219
Other long-term liabilities	1,936,888	1,127,425
Other liabilities	<u>1,223,779</u>	<u>855,980</u>
Total liabilities	<u>13,444,093</u>	<u>14,537,413</u>
Deferred inflows of resources	<u>2,881,146</u>	<u>1,707,923</u>
Net position:		
Net investment in capital assets	9,241,442	9,368,057
Restricted:		
For capital purposes	283,729	233,792
For debt service	146,176	155,120
For other purposes	181,105	75,726
Unrestricted (deficit)	<u>(4,467,046)</u>	<u>(5,396,789)</u>
Total net position	<u>\$ 5,385,406</u>	<u>4,435,906</u>

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The net pension liability is the largest single liability reported by the School District at June 30, 2019 and is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. Another significant liability for the School District is net other postemployment benefits (OPEB) liability, reported pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting net OPEB assets and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Prior accounting for pensions (GASB Statement No. 27) and OPEB (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement Nos. 68 and 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

As required by GASB Statement Nos. 68 and 75, the required net pension liability and the net OPEB asset and liability equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. 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 School 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 Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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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 or net OPEB liabilities. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible part for the unfunded portion. Due to the unique nature of how the net pension and net OPEB liabilities are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

The largest portion of the School District's net position (\$9.2 million) is in net investment in capital assets. The School District uses these capital assets to provide educational services to its students. Accordingly, these assets are not available for future spending. An additional portion of the School District's net position (\$611,010) represents resources that are subject to external restrictions on how they may be used.

Due to the recognition of its proportionate share of the net pension and net OPEB liabilities, the School District's unrestricted net position ended the fiscal year with a deficit balance of \$4.5 million.

Total assets increased by 11%, while total liabilities, excluding net pension and net OPEB liabilities, increased by 59%. The increase in assets was driven by increases in cash and investments. The School District obtained \$1,010,000 in an installment loan for energy conservation improvements and had \$893,145 in unspent loan proceeds remaining as of June 30, 2019. Additionally, the School District reported \$504,662 in a net OPEB asset for the first time during the fiscal year, discussed more below.

The increase in liabilities was primarily driven by the issuance of the energy conservation installment loan, as well as related project costs that were ramping up towards the end of the fiscal year.

The net pension liability decreased due to changes in assumptions used to estimate the state-wide pension liabilities and better than projected investment earnings, which also led to the increase in deferred inflows of resources. The net OPEB liability decreased also due to changes in assumptions, which for the State Teachers Retirement System (STRS), led to the elimination of the net OPEB liability and created the net OPEB asset.

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B. Governmental Activities During Fiscal Year 2019

The following table presents a condensed summary of the School District's activities during fiscal year 2019 and 2018 and the resulting change in net position:

	<u>FY2019</u>	<u>FY2018</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 1,080,242	97,172
Operating grants and contributions	1,636,556	1,189,013
Total program revenues	<u>2,716,798</u>	<u>1,286,185</u>
General revenues:		
Property and income taxes	1,689,112	1,818,925
Grants and entitlements	6,439,177	6,700,068
Investment earnings	95,371	30,680
Miscellaneous	27,339	22,320
Total general revenues	<u>8,250,999</u>	<u>8,571,993</u>
Total revenues	<u>10,967,797</u>	<u>9,858,178</u>
Expenses:		
Instruction	5,665,039	2,233,507
Support services:		
Pupil	460,369	363,065
Instructional staff	270,002	222,555
Board of Education	90,037	73,244
Administration	854,994	404,921
Fiscal	268,957	216,048
Business	15,891	14,930
Operation and maintenance of plant	1,053,213	930,921
Pupil transportation	513,670	454,564
Central	79,474	123,734
Non-instructional services	210,770	165,685
Interest and fiscal charges	45,087	33,739
Food services	490,794	437,290
Total expenses	<u>10,018,297</u>	<u>5,674,203</u>
Change in net position	949,500	4,183,975
Beginning net position	4,435,906	251,931
Ending net position	<u>\$ 5,385,406</u>	<u>4,435,906</u>

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Of the total governmental activities revenues of \$10,967,797, \$2,716,798 (24.8%) is from program revenue. This means that the School District relied on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 20.5% (\$1,689,112) comes from property and income taxes and 78.0% (\$6,439,177) is from state funding. The School District's operations are reliant upon its property and income taxes and the State's foundation program.

In total, net position of the School District increased by \$949,500. Total revenues grew by 11.3%, primarily due to increases in Early Childhood Education and Striving Readers Comprehensive Literacy grant programs.

Total expenses increased by \$4,344,094, or 77%. Approximately \$3.2 million of this increase is related to changes in pension and OPEB expenses; recognizing \$2.9 million in *negative* pension expenses during fiscal year 2018, compared to \$1.1 million in pension expenses during fiscal year 2019, and recognizing a \$716,357 increase in *negative* OPEB expenses. A majority of this is due to changes in actuarial assumptions in the STRS pension and OPEB plans, previously discussed. The remaining increase amounts were due to increases in staffing and general inflationary increases.

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 27% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$5,665,039 but program revenue contributed to fund 33% of those costs. Thus, general revenues of \$3,787,766 were needed to support of remainder of the instruction costs.

		Governmental Activities			
		Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost of Services
Instruction	\$	5,665,039	1,877,273	33%	3,787,766
Support services		3,606,607	306,610	9%	3,299,997
Non-instructional services		210,770	51,181	24%	159,589
Food services		490,794	481,734	98%	9,060
Interest and fiscal charges		45,087	-	0%	45,087
Total	\$	10,018,297	2,716,798	27%	7,301,499

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FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has two major governmental funds: the General Fund and the HB264 Project Fund. Assets of these two funds comprised \$6,661,246 (88%) of the total \$7,553,205 in governmental funds' assets.

General Fund. Fund balance at June 30, 2019 was \$3,802,130, with a fund balance of \$3,778,845 assigned to next year's budget, public school support and encumbered purchases. The General Fund experienced a \$156,896 increase in fund balance, \$201,580 lower than last fiscal year's increase of \$358,476, primarily due to increases in staffing and general inflationary increases.

HB264 Project Fund. This is a new major fund for the School District in fiscal year 2019, accounting for the \$1,010,000 installment loan agreement for energy conservation improvements. As of June 30, 2019, \$315,140 had been spent on project and debt-related costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. Overall, General Fund expenditures came in \$709,541 under the final budget. The variances among the functions was mainly due to conservative budgeting.

Significant differences between the actual and final budgets exist due to the School District's budget methodology. The School District's budget is passed with expenditures and other uses equal to the estimated available resources. Thus, the School District "over budgets" expenditures and budgets for contingencies.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2019, the School District had invested in a broad range of capital assets, including land, buildings and equipment. During fiscal year 2019, the School District acquired \$372,191 in construction in progress and equipment and furniture, but incurred \$403,154 in depreciation expense, leading to the decrease in capital assets of approximately \$31,000. See Note 5 to the financial statements for more detail.

**Capital Assets at Year-End
(Net of Depreciation)**

		<u>FY2019</u>	<u>FY2018</u>
Land	\$	428,932	428,932
Construction in progress		300,285	-
Buildings and improvements		9,058,885	9,333,338
Equipment and furniture		<u>481,757</u>	<u>538,707</u>
Total	\$	<u>10,269,859</u>	<u>10,300,977</u>

Debt

During the year ended June 30, 2019, the School District entered into an installment loan for \$1,010,000 to finance various energy conservation improvements. This increased the total amount outstanding for bonds, loans and capital leases by \$793,379 to \$1,712,694 as of June 30, 2019. See Notes 11 and 12 to the financial statements for more detail.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the New Miami Local School District, 600 Seven Mile Avenue, Hamilton, Ohio 45011.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2019

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 5,782,068
Receivables:	
Taxes	1,474,678
Accounts	3,560
Intergovernmental	234,582
Interest	24,497
Supplies inventory	15,029
Net OPEB asset	504,662
Nondepreciable capital assets	729,217
Depreciable capital assets, net	<u>9,540,642</u>
Total assets	<u>18,308,935</u>
Deferred Outflows of Resources:	
Deferred charges on refunding	22,387
Pension	3,056,222
OPEB	<u>323,101</u>
Total deferred outflows of resources	<u>3,401,710</u>
Liabilities:	
Accounts payable	376,285
Accrued wages and benefits	719,910
Intergovernmental payable	121,618
Accrued interest payable	5,966
Noncurrent liabilities:	
Due within one year	267,066
Due within more than one year:	
Net pension liability	9,179,176
Net OPEB liability	1,104,250
Other amounts due more than one year	<u>1,669,822</u>
Total liabilities	<u>13,444,093</u>
Deferred Inflows of Resources:	
Property taxes levied for next fiscal year	1,045,188
Pension	880,031
OPEB	<u>955,927</u>
Total deferred inflows of resources	<u>2,881,146</u>
Net Position:	
Net investment in capital assets	9,241,442
Restricted for:	
Capital projects	283,729
Debt service	146,176
Other purposes	181,105
Unrestricted (deficit)	<u>(4,467,046)</u>
Total net position	<u>\$ 5,385,406</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Activities

Fiscal Year Ended June 30, 2019

		<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Current:				
Instruction:				
Regular	\$ 4,182,685	\$ 990,104	\$ 669,643	\$ (2,522,938)
Special education	1,218,007	-	217,526	(1,000,481)
Other	264,347	-	-	(264,347)
Support services:				
Pupil	460,369	-	59,334	(401,035)
Instructional staff	270,002	-	201,217	(68,785)
Board of Education	90,037	-	-	(90,037)
Administration	854,994	-	-	(854,994)
Fiscal	268,957	-	-	(268,957)
Business	15,891	-	-	(15,891)
Operation and maintenance of plant	1,053,213	-	29,727	(1,023,486)
Pupil transportation	513,670	-	16,332	(497,338)
Central	79,474	-	-	(79,474)
Non-instructional services:				
Extracurricular activities	210,770	51,181	-	(159,589)
Food service	490,794	38,957	442,777	(9,060)
Interest on long-term debt	45,087	-	-	(45,087)
Total Governmental Activities	<u>\$ 10,018,297</u>	<u>\$ 1,080,242</u>	<u>\$ 1,636,556</u>	<u>(7,301,499)</u>
General Revenues:				
Property taxes, levied for general purposes				922,655
Property taxes, levied for debt services				149,098
Property taxes, levied for capital maintenance				20,546
Income taxes				596,813
Grants and entitlements not restricted to specific programs				6,439,177
Investment earnings				95,371
Miscellaneous				27,339
Total general revenues				<u>8,250,999</u>
Change in net position				949,500
Net position beginning of year				4,435,906
Net position end of year				<u>\$ 5,385,406</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2019

	General	HB264 Project	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 4,437,211	\$ 893,145	\$ 451,712	\$ 5,782,068
Receivables:				
Taxes	1,281,042	-	193,636	1,474,678
Accounts	2,726	-	834	3,560
Accrued interest	24,497	-	-	24,497
Intergovernmental	1,977	-	232,605	234,582
Materials and supplies inventory	1,857	-	13,172	15,029
Interfund receivable	18,791	-	-	18,791
Total assets	<u>\$ 5,768,101</u>	<u>\$ 893,145</u>	<u>\$ 891,959</u>	<u>\$ 7,553,205</u>
Liabilities:				
Accounts payable	\$ 154,620	\$ 198,285	\$ 23,380	\$ 376,285
Accrued wages and benefits	646,778	-	73,132	719,910
Intergovernmental payable	115,220	-	6,398	121,618
Interfund payable	-	-	18,791	18,791
Total liabilities	<u>916,618</u>	<u>198,285</u>	<u>121,701</u>	<u>1,236,604</u>
Deferred Inflows of Resources:				
Property taxes levied for next fiscal year	882,602	-	162,586	1,045,188
Unavailable revenue	166,751	-	163,763	330,514
Total deferred inflows of resources	<u>1,049,353</u>	<u>-</u>	<u>326,349</u>	<u>1,375,702</u>
Fund Balances:				
Nonspendable	1,857	-	13,172	15,029
Restricted	-	694,860	440,041	1,134,901
Assigned	3,778,845	-	-	3,778,845
Unassigned	21,428	-	(9,304)	12,124
Total fund balances	<u>3,802,130</u>	<u>694,860</u>	<u>443,909</u>	<u>4,940,899</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,768,101</u>	<u>\$ 893,145</u>	<u>\$ 891,959</u>	<u>\$ 7,553,205</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total Governmental Fund Balances \$ 4,940,899

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 10,269,859

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	680,000	
Premium on refunding bonds	32,970	
Compensated absences	191,224	
Capital lease payable	22,694	
HB264 loan obligations	1,010,000	
Accrued interest payable	5,966	(1,942,854)

Deferred outflows of resources from losses on refunding are amortized over the life of the bonds and are not reported in the funds. 22,387

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 330,514

The net pension and net OPEB liabilities are not due and payable in the current period. The net OPEB assets are not available to pay for current period expenditures. Therefore, the assets, liabilities and related deferred outflows and inflows of resources are not reported in the governmental funds:

Deferred outflows - pension and OPEB	3,379,323	
Deferred inflows - pension and OPEB	(1,835,958)	
Net OPEB assets	504,662	
Net pension liability	(9,179,176)	
Net OPEB liability	(1,104,250)	(8,235,399)

Net Position of Governmental Activities \$ 5,385,406

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2019

	General	H264 Project	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,546,478	\$ -	\$ 174,869	\$ 1,721,347
Tuition and fees	990,104	-	-	990,104
Interest	83,943	-	-	83,943
Intergovernmental	6,623,446	-	1,351,030	7,974,476
Charges for services	-	-	36,941	36,941
Other local revenues	27,751	-	50,820	78,571
Total revenues	<u>9,271,722</u>	<u>-</u>	<u>1,613,660</u>	<u>10,885,382</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,036,379	-	446,540	4,482,919
Special education	1,189,254	-	115,757	1,305,011
Other instruction	201,646	-	57,706	259,352
Support services:				
Pupil	434,739	-	36,237	470,976
Instructional staff	127,893	-	151,718	279,611
Board of Education	87,372	-	-	87,372
Administration	963,872	-	2,762	966,634
Fiscal	239,335	-	-	239,335
Business	15,891	-	-	15,891
Operation and maintenance of plant	1,006,852	-	141	1,006,993
Pupil transportation	492,962	-	16,943	509,905
Central	73,166	-	-	73,166
Non-instructional services:				
Extracurricular activities	181,581	-	40,653	222,234
Food services	-	-	468,559	468,559
Capital outlay	-	300,285	-	300,285
Debt Service:				
Principal	18,621	-	198,000	216,621
Interest and fiscal charges	1,326	-	28,631	29,957
Issuance costs	-	14,855	-	14,855
Total expenditures	<u>9,070,889</u>	<u>315,140</u>	<u>1,563,647</u>	<u>10,949,676</u>
Excess of revenues over expenditures	<u>200,833</u>	<u>(315,140)</u>	<u>50,013</u>	<u>(64,294)</u>
Other financing sources (uses):				
Transfers in	-	-	43,937	43,937
Transfers out	(43,937)	-	-	(43,937)
Issuance of installment loan	-	1,010,000	-	1,010,000
Total other financing sources (uses):	<u>(43,937)</u>	<u>1,010,000</u>	<u>43,937</u>	<u>1,010,000</u>
Net change in fund balance	156,896	694,860	93,950	945,706
Fund balance, beginning of year	3,645,234	-	349,959	3,995,193
Fund balance, end of year	<u>\$ 3,802,130</u>	<u>\$ 694,860</u>	<u>\$ 443,909</u>	<u>\$ 4,940,899</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	945,706
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital asset additions		372,191
Depreciation expense		(403,154)
Losses on the sale or disposal of capital assets are reported on the statement of activities and not as expenditures of the governmental funds.		(155)
Repayment of bond, lease-purchase and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		216,621
In the statement of activities, interest is accrued and accreted on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(3,297)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated absences		(25,504)
Amortization of bond premiums		9,420
Amortization of deferred amount on refunding		(6,398)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.		80,450
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
Pension		784,230
OPEB		28,896
Except for amounts reported as deferred outflows or deferred inflows of resources, changes in the net pension and OPEB assets and liabilities are reported as pension and OPEB expenses in the statement of activities.		
Pension		(1,052,797)
OPEB		1,013,291
Proceeds from the HB264 installment loan are reported as other financing sources in the governmental funds, but are reported as increases of long-term liabilities on the statement of net position.		<u>(1,010,000)</u>
Change in Net Position of Governmental Activities	\$	<u>949,500</u>

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2019

	Private Purpose Trusts	Agency Funds
ASSETS		
Equity in pooled cash and cash equivalents	\$ 66,273	\$ 18,542
Accounts receivable	<u>1,000</u>	<u>-</u>
Total assets	<u><u>67,273</u></u>	<u><u>18,542</u></u>
LIABILITIES		
Accounts payable	5,100	-
Due to student groups	<u>-</u>	<u>18,542</u>
Total liabilities	<u><u>5,100</u></u>	<u><u>\$ 18,542</u></u>
NET POSITION		
Held in trust	<u><u>\$ 62,173</u></u>	

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Changes in Net Position

Fiduciary Funds

Fiscal Year Ended June 30, 2019

	<u>Private Purpose Trusts</u>
Additions:	
Contributions	\$ 22,318
Total additions	<u>22,318</u>
Deductions:	
Community gifts, awards and scholarships	<u>8,110</u>
Total deductions	<u>8,110</u>
 Change in net position	 14,208
 Net position, beginning of year	 <u>47,965</u>
Net position, end of year	<u>\$ 62,173</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District provides education for New Miami, City View Heights, Overpeck and Williamsdale. The School District was chartered in 1937 and currently operates one elementary school (K-6) and one junior-senior high school (7-12) with a total enrollment of approximately 600 students. The School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. This includes general operations, food service, and student related activities of the School District.

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

The School District is associated with three organizations; two of which are defined as a jointly governed organization and one is an insurance purchasing pool. These organizations include the Butler Technology and Career Development Schools, the Southwestern Ohio Computer Association, and the Butler Health Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

B. Basis of Presentation

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore 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 School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental 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.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

C. Fund Accounting

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

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

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

HB264 Project Fund – This fund is used to account for expenditures of proceeds from a private placement installment loan to finance various energy conservation improvements.

Fiduciary funds report on net position and changes in net position. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District's private-purpose trust funds account for scholarship programs for students. Agency funds used by the School District to account for student activities are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made. The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, income taxes, interest, tuition, student fees, and grants.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

D. Basis of Accounting – *continued*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for unmatured principal and interest on general long-term debt as well as expenditures related to compensated absences which are recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, fiduciary funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues - Exchange and Non-exchange transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

Deferred inflows of resources. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue, pension and other postemployment benefits (OPEB). Receivables for property taxes represent amounts that are measurable as of June 30, 2019, but are intended to finance fiscal year 2020 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end). Deferred inflows of resources from pension and OPEB are reported on the government-wide statement of net position (see Notes 8 and 9).

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

D. Basis of Accounting – *continued*

Deferred outflows of resources. In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For the School District, deferred outflows of resources include deferred charge on refunding, pension and OPEB. A deferred charge on refunding results from the difference in 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. Deferred outflows of resources from pension and OPEB are reported on the government-wide statement of net position (see Notes 8 and 9)

E. Cash

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet.

The Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

F. Inventory

All inventories are valued at cost determined on a first-in, first-out basis. Inventory in governmental funds are recorded as expenditures in the governmental fund types when used.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$250 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their acquisition values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

G. Capital Assets – *continued*

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

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

Buildings	50 years
Building improvements	20 - 25 years
Equipment and furniture	7-20 years

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. 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 employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

J. Interfund Transactions

On fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net position.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

K. Pensions/ OPEB

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

L. Fund Balance

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

L. Fund Balance – *continued*

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows of resources, less 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 borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Estimates

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

O. Fund Deficits

At June 30, 2019, the following funds have a deficit fund balance:

Other Governmental Funds:		
Public School Preschool	\$	4,063
Title I		5,241

The deficit fund balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

2. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 pass book accounts. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies are permitted to be deposited or invested in the following securities:

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

2. DEPOSITS AND INVESTMENTS—*continued*

2. Bonds, notes, debentures, or any other obligations or securities issued by the 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures".

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At fiscal year-end, \$1,729,672 of the School District's bank balance of \$1,979,672 was exposed to custodial credit risk since it was uninsured and collateralized with securities under the Ohio Treasurer's Ohio Pooled Collateral System, but not in the School District's name.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

2. DEPOSITS AND INVESTMENTS—continued

Investments

The School District's investments at June 30, 2019 are summarized as follows:

	Measurement Value at 6/30/19	Average Maturity (Years)	Concentration
Negotiable CD's	\$ 3,023,376	1.33	75%
U.S. Money Markets	1,002,592	n/a	25%
	<u>\$ 4,025,968</u>		<u>100%</u>

Credit Risk. It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a failure of a counter party, the School 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 School District's investment securities are registered in the name of the School District.

Interest Rate Risk. In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the maturity of its investment portfolio to five years, unless they are matched to a specific obligation or debt of the School District.

Fair Value Measurements. The School District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The School District had the following reoccurring fair value measurements as of June 30, 2019:

	Measurement Value at 6/30/19	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value Level</u>				
Negotiable CD's	\$ 3,023,376	\$ -	\$ 3,023,376	\$ -
U.S. Money Markets (amortized cost)	1,002,592	n/a	n/a	n/a
	<u>\$ 4,025,968</u>	<u>\$ -</u>	<u>\$ 3,023,376</u>	<u>\$ -</u>

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets, while investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment manager. U.S. money market investments are excluded from fair value measurement requirements, but are valued at amortized cost at June 30, 2019 which approximates fair value.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

3. INCOME TAXES

Effective in 1990, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2019, the School District recorded income tax revenue of \$596,813 in the entity-wide financials and a receivable as of June 30, 2019 of \$228,219.

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of the prior January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property taxes revenue received in calendar year 2019 represent collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018 and are collected in calendar year 2019 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2019. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2019, was \$54,898 in the General Fund, and \$10,014 in Other Governmental Funds. The assessed values upon which fiscal year 2019 taxes were collected are:

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

4. PROPERTY TAXES—continued

	2018 Second-Half Collections		2019 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 42,732,350	92.36%	42,741,860	91.56%
Public Utilities Personal	<u>3,533,470</u>	7.64%	<u>3,941,640</u>	8.44%
Total Assessed Value	\$ <u>46,265,820</u>	100.00%	<u>46,683,500</u>	100.00%

5. CAPITAL ASSETS

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

	Balance 7/1/18	Additions	Disposals	Balance 6/30/19
Governmental Activities				
Nondepreciable:				
Land	\$ 428,932	-	-	428,932
Construction in progress	-	300,285	-	300,285
Subtotal	<u>428,932</u>	<u>300,285</u>	<u>-</u>	<u>729,217</u>
Depreciable:				
Buildings and improvements	13,722,653	-	-	13,722,653
Equipment and furniture	<u>2,031,289</u>	<u>71,906</u>	<u>(5,062)</u>	<u>2,098,133</u>
Subtotal	<u>15,753,942</u>	<u>71,906</u>	<u>(5,062)</u>	<u>15,820,786</u>
Totals at historical cost	<u>16,182,874</u>	<u>372,191</u>	<u>(5,062)</u>	<u>16,550,003</u>
Less accumulated depreciation:				
Buildings and improvements	4,389,315	274,453	-	4,663,768
Equipment and furniture	<u>1,492,582</u>	<u>128,701</u>	<u>(4,907)</u>	<u>1,616,376</u>
Total accumulated depreciation	<u>5,881,897</u>	<u>403,154</u>	<u>(4,907)</u>	<u>6,280,144</u>
Capital assets, net	\$ <u>10,300,977</u>	<u>(30,963)</u>	<u>(155)</u>	<u>10,269,859</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 353,276
Special	11,389
Support services:	
Instructional staff	581
Administration	3,631
Fiscal	444
Operation and maintenance of plant	32,315
Food services	<u>1,518</u>
Total depreciation expense	\$ <u>403,154</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

6. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2019 consisted of the following interfund receivables/payables and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General fund	\$ 18,791	-	-	43,937
Other governmental funds	-	18,791	43,937	-
	<u>\$ 18,791</u>	<u>18,791</u>	<u>43,937</u>	<u>43,937</u>

The interfund loans were made to provide operating capital. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the general fund to finance various programs and debt service accounted for in other funds in accordance with budgetary authorizations.

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the School District maintained comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

For fiscal year 2019, the School District participated in the Butler Health Plan, a group insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Plan provides insurance policies in whole or in part through one or more group insurance policies.

8. PENSION PLANS

Net Pension Liability

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

8. PENSION PLANS—*continued*

The net pension liability represents the School 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.

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

GASB Statement No. 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 contractually-required pension contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

8. PENSION PLANS—continued

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District’s contractually required contribution to SERS was \$180,488 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee 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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

8. 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% 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 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

8. PENSION PLANS—continued

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$603,742 for fiscal year 2019. Of this amount, \$99,408 is recorded as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 2,273,710	\$ 6,905,466	\$ 9,179,176
Proportion of the Net Pension Liability	0.03970%	0.03141%	
Change in Proportion	0.00222%	-0.00226%	
Pension Expense	\$ 323,742	\$ 729,055	\$ 1,052,797

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

8. PENSION PLANS—continued

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 124,699	\$ 159,399	\$ 284,098
Change in assumptions	51,345	1,223,778	1,275,123
Change in proportionate share and difference between employer contributions	141,386	571,385	712,771
School District's contributions subsequent to the measurement date	<u>180,488</u>	<u>603,742</u>	<u>784,230</u>
Total Deferred Outflows of Resources	<u>\$ 497,918</u>	<u>\$ 2,558,304</u>	<u>\$ 3,056,222</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 45,096	\$ 45,096
Net difference between projected and actual earnings on pension plan investments	62,998	418,739	481,737
Change in proportionate share and difference between employer contributions	<u>-</u>	<u>353,198</u>	<u>353,198</u>
Total Deferred Inflows of Resources	<u>\$ 62,998</u>	<u>\$ 817,033</u>	<u>\$ 880,031</u>

\$784,230 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	\$ 257,347	\$ 671,300	\$ 928,647
2021	91,023	475,659	566,682
2022	(74,617)	155,417	80,800
2023	<u>(19,321)</u>	<u>(164,847)</u>	<u>(184,168)</u>
	<u>\$ 254,432</u>	<u>\$ 1,137,529</u>	<u>\$ 1,391,961</u>

Actuarial Assumptions - SERS

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

8. PENSION PLANS—continued

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, 2018, are presented below:

Inflation	3.00%
Future Salary Increases, including Inflation COLA or Ad Hoc COLA	3.50% to 18.20% 2.50% on and after April 1, 2018, COLA's for future retirees will be delayed for three years following retirement
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

8. PENSION PLANS—continued

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stock	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 – Total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$3,202,693	\$2,273,710	\$1,494,821

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

8. PENSION PLANS—continued

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0%

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

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

8. PENSION PLANS—continued

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$10,084,523	\$6,905,466	\$4,214,824

Social Security System

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2019 members of the Board of Education have elected social security. The School District's liability is 6.2% of wages paid.

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Net OPEB Liability

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

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, the minimum compensation amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$22,210.

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$28,896 for fiscal year 2019. Of this amount \$22,210 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—continued

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability/(Asset)	\$ 1,104,250	\$ (504,662)	\$ 599,588
Proportion of the Net OPEB Liability/(Asset)	0.03980%	0.03141%	
Change in Proportion	0.00236%	-0.00226%	
OPEB (Negative) Expense	\$ 69,614	\$ (1,082,905)	\$ (1,013,291)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 18,026	\$ 58,945	\$ 76,971
Change in proportionate share and difference between employer contributions	91,834	125,400	217,234
School District's contributions subsequent to the measurement date	28,896	-	28,896
Total Deferred Outflows of Resources	<u>\$ 138,756</u>	<u>\$ 184,345</u>	<u>\$ 323,101</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 29,406	\$ 29,406
Net difference between projected and actual earnings on OPEB plan investments	1,655	57,654	59,309
Change in assumptions	99,210	687,643	786,853
Change in proportionate share and difference between employer contributions	-	80,359	80,359
Total Deferred Inflows of Resources	<u>\$ 100,865</u>	<u>\$ 855,062</u>	<u>\$ 955,927</u>

\$28,896 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or addition to the net OPEB asset in the year ending June 30, 2020.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	\$ (10,727)	\$ (116,461)	\$ (127,188)
2021	(6,422)	(116,461)	(122,883)
2022	7,216	(116,461)	(109,245)
2023	7,921	(103,367)	(95,446)
2024	7,806	(98,774)	(90,968)
2025	3,201	(119,193)	(115,992)
	<u>\$ 8,995</u>	<u>\$ (670,717)</u>	<u>\$ (661,722)</u>

Actuarial Assumptions – SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will consider the employee's entire career with the employer and 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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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

Investment Rate of Return	7.50% net of investment expense, including inflation
Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
Municipal Bond Index Rate:	
Prior Measurement Date	3.56%
Measurement Date	3.62%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Prior Measurement Date	3.63%
Measurement Date	3.70%
Medical Trend Assumption:	
Pre-Medicare	7.25% - 4.75%
Medicare	5.375% - 4.75%

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

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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

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

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62% as of June 30, 2018 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 3.70%, as well as what the School District’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70%) and one percentage point higher (4.70%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.40%)
School District's proportionate share of the net OPEB liability	\$1,339,920	\$1,104,250	\$917,643

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.25% decreasing to 3.75%) and one percentage point higher (8.25% decreasing to 5.75%) than the current rates.

	1% Decrease 6.25% decreasing to 3.75%)	Current Cost Trend Rate 7.25% decreasing to 4.75%)	1% Increase 8.25% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$890,927	\$1,104,250	\$1,386,728

Actuarial Assumptions - STRS

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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

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

Since the prior measurement date, the discount rate was increased from 4.13% to 7.45% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—continued

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	\$ (432,542)	\$ (504,662)	\$ (565,275)
	1% Decrease	Current Cost Trend Rates	1% Increase
School District's proportionate share of the net OPEB asset	\$ (561,853)	\$ (504,662)	\$ (446,580)

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

10. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 200 days for classified employees and teachers, and 253 days for administrators. Upon retirement, classified employee can receive payment for 25% of accrued, but unused sick leave up to a maximum of 50 days; teachers and administrators can receive payment for 30% of accrued, but unused sick leave up to a maximum of 55 days.

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term liabilities during fiscal year 2019 were as follows:

	Principal Outstanding 7/1/18	Additions	Deletions	Principal Outstanding 6/30/19	Due Within One Year
Series 2010 refunding bonds	\$ 835,000	-	(155,000)	680,000	165,000
Premium on refunding bonds	42,390	-	(9,420)	32,970	-
Loan from direct borrowings	-	1,010,000	-	1,010,000	50,000
Lease-purchase agreements	43,000	-	(43,000)	-	-
Capital lease	41,315	-	(18,621)	22,694	19,387
Compensated absences	165,720	55,509	(30,005)	191,224	32,679
Net pension liability:					
STRS	7,996,244	-	(1,090,778)	6,905,466	-
SERS	2,239,545	34,165	-	2,273,710	-
	10,235,789	34,165	(1,090,778)	9,179,176	-
Net OPEB liability:					
STRS	1,313,328	-	(1,313,328)	-	-
SERS	1,004,891	99,359	-	1,104,250	-
	2,318,219	99,359	(1,313,328)	1,104,250	-
	\$ <u>13,681,433</u>	<u>1,199,033</u>	<u>(2,660,152)</u>	<u>12,220,314</u>	<u>267,066</u>

On May 24, 2010, the School District issued Series 2010 school improvement refunding bonds to refund \$1,235,000 of the Series 2000 bonds that were originally issued to construct a new building and renovate the junior/senior high school building. These bonds were issued at interest rates between 2.1% to 3.8% with final maturity at December 1, 2022 and will be retired from the debt service fund.

On August 13, 2009, the School District entered into a lease-purchase agreement in the amount of \$124,000 for football bleachers through the Ohio Association of School Business Official's Leased Asset Program. The payments are made from the debt service fund, with transfers from the general fund, and matured in December 2018.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

11. LONG-TERM OBLIGATIONS—continued

In March 2004, the School District entered into a lease-purchase agreement in the amount of \$306,000 for school improvements through the Ohio Association of School Business Official's Leased Asset Program. The payments are made from the debt service fund, with transfers from the general fund, and matured in December 2018.

In April 2019, the School District entered into a direct borrowing installment loan agreement in the amount of \$1,010,000 for HB264 energy conservation improvements. The loan matures on December 1, 2033 and bears an interest rate of 3.55%. The loan agreement contains a provision that in an event of default, outstanding amounts become immediately due if the School District is unable to make the payment.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences and the net pension and net OPEB liabilities will be paid from the fund from which the employees' salaries are paid, typically the General Fund. The School District's voted legal debt margin was \$3,521,515 with an unvoted debt margin of \$46,684 at June 30, 2019.

Principal and interest requirements to retire the Series 2010 bonds at June 30, 2019 are:

Fiscal Year Ending June 30,		Principal	Interest	Total
2020	\$	165,000	22,287	187,287
2021		170,000	16,255	186,255
2022		180,000	9,690	189,690
2023		165,000	3,135	168,135
Total	\$	<u>680,000</u>	<u>51,367</u>	<u>731,367</u>

Principal and interest requirements to retire the direct borrowing installment loan at June 30, 2019 are:

Fiscal Year Ending June 30,		Principal	Interest	Total
2020	\$	50,000	40,743	90,743
2021		57,000	33,583	90,583
2022		59,000	31,542	90,542
2023		61,000	29,430	90,430
2024		63,000	27,246	90,246
2025-2029		349,000	100,838	449,838
2030-2034		371,000	33,690	404,690
Total	\$	<u>1,010,000</u>	<u>297,072</u>	<u>1,307,072</u>

12. CAPITAL LEASES – LESSEE DISCLOSURE

During the prior fiscal year, the School District entered into a lease agreement for copiers in the amount of \$89,947. The lease meets the criteria of a capital lease as defined by generally accepted accounting principles. In the case of the copier lease, the term is sixty months. The net book value of capital lease equipment at June 30, 2019 was \$17,991. Capital lease payments have been reflected as debt service expenditures within the General Fund.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

12. CAPITAL LEASES – LESSEE DISCLOSURE—continued

The following schedule of the future minimum lease payments for the capital lease and the present value of the future minimum lease payments at June 30, 2019:

	Fiscal Year Ending June 30,	
	2020	\$ 19,946
	2021	<u>3,323</u>
Total		23,269
Less amount representing interest		<u>(575)</u>
Present value of minimum lease payments		<u>\$ 22,694</u>

13. FUND BALANCES

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

Fund Balances	General	HB264 Project Fund	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Inventory	\$ 1,857	-	13,172	<u>15,029</u>
<i>Restricted for</i>				
Food Service Operations	-	-	5,300	5,300
Private Grants and Donations	-	-	4,826	4,826
Classroom Facilities Maintenance	-	-	269,830	269,830
Athletics	-	-	10,767	10,767
State Grant Programs	-	-	2,012	2,012
Federal Grant Programs	-	-	2,301	2,301
Debt Service Payments	-	-	133,646	133,646
Capital Improvements	-	694,860	11,359	706,219
<i>Total Restricted</i>	<u>-</u>	<u>694,860</u>	<u>440,041</u>	<u>1,134,901</u>
<i>Assigned to</i>				
Public School Support	27,103	-	-	27,103
General government	14,027	-	-	14,027
Budget Resource	3,737,715	-	-	3,737,715
<i>Total Assigned</i>	<u>3,778,845</u>	<u>-</u>	<u>-</u>	<u>3,778,845</u>
<i>Unassigned (Deficit)</i>	<u>21,428</u>	<u>-</u>	<u>(9,304)</u>	<u>12,124</u>
<i>Total Fund Balance</i>	<u>\$ 3,802,130</u>	<u>694,860</u>	<u>443,909</u>	<u>4,940,899</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

14. INSURANCE PURCHASING POOL

Butler Health Plan

The School District participates in the Butler Health Plan, an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from Butler Health Plan at P. O. Box 526, Middletown, Ohio 45042.

15. JOINTLY GOVERNED ORGANIZATIONS

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools (Butler Tech), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Butler Tech was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Butler Tech. To obtain financial information, write to Butler Tech, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Southwestern Ohio Computer Association

The Southwestern Ohio Computer Association (SWOCA) was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the three county consortiums supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

16. CONTINGENCIES

Litigation

The School District's attorney estimates that potential claims against the School District from legal proceedings would not materially affect the financial statements of the School District.

State and Federal Funding

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 School District at June 30, 2019, if applicable, cannot be determined at this time.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

16. CONTINGENCIES—*continued*

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

17. REQUIRED SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2018	\$ -
Current year set-aside requirement	117,000
Current year qualifying expenditures	(615,853)
Current year offsets	<u>(24,288)</u>
Total	\$ <u><u>(523,141)</u></u>
Balance carried forward to fiscal year 2020	\$ <u><u>-</u></u>

Excess qualified expenditures for capital improvements do not carry forward.

REQUIRED SUPPLEMENTARY INFORMATION

NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund

Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 1,512,275	\$ 1,529,550	\$ 1,529,550	\$ -
Tuition and fees	5,575	6,675	6,675	-
Interest	30,000	90,304	90,385	81
Intergovernmental	6,722,651	7,021,891	7,021,891	-
Other local revenues	10,200	560	560	-
Total revenues	<u>8,280,701</u>	<u>8,648,980</u>	<u>8,649,061</u>	<u>81</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,590,456	3,722,456	3,438,705	283,751
Special education	1,217,921	1,218,421	1,161,248	57,173
Other instruction	172,029	230,029	206,460	23,569
Support services:				
Pupil	459,779	491,279	437,762	53,517
Instructional staff	137,806	150,606	128,488	22,118
Board of Education	95,290	105,390	90,796	14,594
Administration	1,036,868	1,038,368	932,081	106,287
Fiscal	235,385	252,385	238,121	14,264
Business	20,670	20,670	15,377	5,293
Operation and maintenance of plant	1,029,742	1,095,242	1,059,210	36,032
Pupil transportation	504,979	564,979	492,020	72,959
Central	62,935	70,935	70,088	847
Non-instructional services:				
Extracurricular activities	197,000	198,000	178,863	19,137
Total expenditures	<u>8,760,860</u>	<u>9,158,760</u>	<u>8,449,219</u>	<u>709,541</u>
Excess of revenues over/(under) expenditures	(480,159)	(509,780)	199,842	709,622
Other financing sources (uses):				
Transfers out	(44,000)	(44,000)	(43,937)	63
Advances in	47,035	47,035	47,035	-
Advances out	-	(18,000)	(17,865)	135
Other uses	(3,557,505)	(3,509,994)	-	3,509,994
Other sources	10,860	10,970	10,970	-
Total other financing sources (uses):	<u>(3,543,610)</u>	<u>(3,513,989)</u>	<u>(3,797)</u>	<u>3,510,192</u>
Net change in fund balance	(4,023,769)	(4,023,769)	196,045	\$ 4,219,814
Fund balance, beginning of year	3,947,967	3,947,967	3,947,967	
Prior year encumbrances appropriated	75,802	75,802	75,802	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,219,814</u>	

See accompanying notes to required supplementary information.

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information
 Schedule of Entity's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.029830%	\$ 1,773,656	\$ 915,311	193.78%	65.52%
2015	0.029830%	1,509,477	875,426	172.43%	71.70%
2016	0.034590%	1,973,882	1,137,003	173.60%	69.16%
2017	0.034800%	2,546,951	1,031,771	246.85%	62.98%
2018	0.037483%	2,239,545	1,108,964	201.95%	69.50%
2019	0.039700%	2,273,710	1,202,630	189.06%	71.36%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

Changes of benefit and funding terms. In measurement year 2018, post-retirement increases in benefits included the following changes:

1. Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3% of their base benefit on the anniversary of their initial date of retirement.
2. Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0%, nor greater than 2.5%. COLAs are suspended for calendar years 2018, 2019, and 2020.
3. Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information
 Schedule of Entity's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.030620%	\$ 8,872,829	\$ 3,254,238	272.65%	69.30%
2015	0.030620%	7,448,688	3,369,554	221.06%	74.70%
2016	0.030660%	8,472,438	3,475,986	243.74%	72.09%
2017	0.030380%	10,168,533	3,593,664	282.96%	66.78%
2018	0.033661%	7,996,244	3,603,986	221.87%	75.30%
2019	0.031406%	6,905,466	3,881,186	177.92%	77.30%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit terms. Effective July 1, 2017, the COLA was reduced to zero.

NEW MIAMI LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Entity Pension Contributions
 School Employees Retirement System of Ohio
 Last Seven Fiscal Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 126,679	\$ (126,679)	\$ -	\$ 915,311	13.84%
2014	121,334	(121,334)	-	875,426	13.86%
2015	149,857	(149,857)	-	1,137,003	13.18%
2016	144,448	(144,448)	-	1,031,771	14.00%
2017	155,255	(155,255)	-	1,108,964	14.00%
2018	162,355	(162,355)	-	1,202,630	13.50%
2019	180,488	(180,488)	-	1,336,948	13.50%

(1) The School District elected not to present information prior to 2013. The School District will continue to present information for years available until a full ten-year trend is compiled.

NEW MIAMI LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Entity Pension Contributions
 State Teachers Retirement System of Ohio
 Last Seven Fiscal Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 423,051	\$ (423,051)	\$ -	\$ 3,254,238	13.00%
2014	438,042	(438,042)	-	3,369,554	13.00%
2015	486,638	(486,638)	-	3,475,986	14.00%
2016	503,113	(503,113)	-	3,593,664	14.00%
2017	504,558	(504,558)	-	3,603,986	14.00%
2018	543,366	(543,366)	-	3,881,186	14.00%
2019	603,742	(603,742)	-	4,312,443	14.00%

(1) The School District elected not to present information prior to 2013. The School District will continue to present information for years available until a full ten-year trend is compiled.

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information
 Schedule of Entity's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered Payroll	School District's Entity's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.034732%	\$ 989,978	\$ 1,031,771	95.95%	11.49%
2018	0.037444%	1,004,891	1,108,964	90.62%	12.46%
2019	0.039803%	1,104,250	1,202,630	91.82%	13.57%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set back for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and 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 among disabled members.

In measurement year 2018, medical trend rates have been adjusted to reflect premium decreases.

Change in benefit and funding terms. In measurement year 2018, SERS' funding policy allowed a 2.0% health care contribution rate to be allocated to the Health Care fund. The 2.0% is a combination of 0.5% employer contributions and 1.5% surcharge.

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information
 Schedule of Entity's Proportionate Share of the Net OPEB Liability (Asset)
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

	School District's Proportion OPEB Liability/ (Asset)	School District's Proportionate OPEB Liability/ (Asset)	School District's Covered Payroll	School District's Entity's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)
2017	0.0303783%	\$ 1,624,639	\$ 3,593,664	45.21%	37.3%
2018	0.0336610%	1,313,328	3,603,986	36.44%	47.1%
2019	0.031406%	(504,662)	3,881,186	(13.00%)	176.0%

- (1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.
- (2) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumption. For measurement year 2017, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capital health care costs were updated.

Change in benefit terms. For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipient was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

For measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

NEW MIAMI LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Entity's OPEB Contributions
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 15,286	\$ (15,286)	\$ -	\$ 1,031,771	1.48%
2017	17,664	(17,664)	-	1,108,964	1.59%
2018	25,417	(25,417)	-	1,202,630	2.11%
2019	28,896	(28,896)	-	1,336,948	2.16%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Includes Surcharge

NEW MIAMI LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Entity OPEB Contributions
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ -	\$ -	\$ -	\$ 3,593,664	0.00%
2017	-	-	-	3,603,986	0.00%
2018	-	-	-	3,881,186	0.00%
2019	-	-	-	4,312,443	0.00%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) STRS allocated the entire 14% employer contribution rate toward pension benefits.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2019

Note A Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) 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 GAAP basis are that:

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

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

Encumbrances are treated as expenditures for all funds (budget basis) rather than as an expenditure when liquidated (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

Net change in fund balance - GAAP Basis	\$	<u>156,896</u>
Increase / (decrease):		
Due to inclusion of Uniform School Supply Fund		(2,908)
Due to inclusion of Rotary Fund		272
Due to inclusion of Public School Support Fund		(8,823)
Due to revenues		(590,829)
Due to expenditures		769,944
Due to other sources (uses)		40,140
Due to encumbrances		<u>(168,647)</u>
Net change in fund balance - Budget Basis	\$	<u>196,045</u>

**NEW MIAMI LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
<i>Non-Cash Assistance (Food Distribution)</i>			
National School Lunch Program	10.555	2019	25,586
<i>Cash Assistance</i>			
School Breakfast Program	10.553	2019	113,602
National School Lunch Program	10.555	2019	272,798
Cash Assistance Subtotal			<u>386,400</u>
Nutrition Cluster Total			<u>411,986</u>
Fresh Fruit and Vegetable Program	10.582	2018	2,167
Fresh Fruit and Vegetable Program	10.582	2019	19,760
Fresh Fruit and Vegetable Program Total			<u>21,927</u>
Total U.S. Department of Agriculture			<u>433,913</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	S010A180035	35,381
Title I Grants to Local Educational Agencies	84.010	S010A190035	251,225
Title I Grants to Local Educational Agencies Total			<u>286,606</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A180111	2,932
Special Education - Grants to States	84.027	H027A190111	141,148
Special Education - Preschool Grants	84.173	H173A190111	804
Special Education - Preschool Grants (Restoration)	84.173	H173A190111	1,004
Special Education Cluster Total			<u>145,888</u>
Supporting Effective Instruction State Grant	84.367	S367A190034	25,661
Rural and Low-Income School Grant	84.358		8,004
Comprehensive Literacy Development	84.371	S371C180019	17,203
Comprehensive Literacy Development	84.371	S371C190019	95,492
Comprehensive Literacy Development Total			<u>112,695</u>
Student Support & Academic Enrichment	84.424	S424A190036	13,298
Total U.S. Department of Education			<u>592,152</u>
Total Expenditures of Federal Awards			<u><u>\$1,026,065</u></u>

The accompanying notes are an integral part of this schedule.

**NEW MIAMI LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of New Miami Local School District (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – 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 E – FOOD DONATION PROGRAM

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

NOTE F – MATCHING REQUIREMENTS

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

OHIO AUDITOR OF STATE KEITH FABER



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

New Miami Local School District
Butler County
600 Seven Mile Avenue
Hamilton, Ohio 45011

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District, Butler County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

January 27, 2020

OHIO AUDITOR OF STATE KEITH FABER



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

New Miami Local School District
Butler County
600 Seven Mile Avenue
Hamilton, Ohio 45011

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the New Miami Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the New Miami Local School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the New Miami Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State

Columbus, Ohio

January 27, 2020

**NEW MIAMI LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.010 Title I
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

FINDING NUMBER 2019-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**FINDING NUMBER 2019-001
(Continued)**

We identified the following condition related to the District's financial statements at June 30, 2019:

- General fund Tuition revenue was understated by \$978,402, Intergovernmental revenue was overstated by \$392,536, and Regular Instruction expenditures were understated by \$585,866.

The District corrected the financial statements for this error.

The District also made other immaterial errors in the General fund and HB264 funds ranging from \$2,945 to \$56,370 which were not corrected on the financial statements.

The District did not have procedures in place to ensure the accuracy of financial reporting. Failure to prepare accurate financial statements increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

Due care should be exercised when preparing the financial statements to prevent errors and to assist in properly reflecting the District's financial activity.

Officials' Response:

We did not receive a response from Officials to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

NEW MIAMI LOCAL SCHOOL DISTRICT
600 Seven Mile Avenue
Hamilton, Ohio 45011

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2019

Finding Number: 2019-001
Planned Corrective Action: The Treasurer will closely monitor the School Foundation Settlement Reports to ensure posting the correct amounts for Tuition and Intergovernmental receipts.
Anticipated Completion Date: 6/30/2020
Responsible Contact Person: Robin Bonar, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



NEW MIAMI LOCAL SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 18, 2020**