

Heath City School District

Heath, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

HEATH CITY SCHOOL DISTRICT

Heath, Ohio

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
June 30, 2018**

Prepared by:

**Mr. Karl Zarins
Treasurer**

HEATH CITY SCHOOL DISTRICT

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INTRODUCTORY SECTION



December 27, 2018

Board of Education Members and Citizens of the Heath City School District:

As the Superintendent and Treasurer of the Heath City School District (the District), we are pleased to submit to you this Comprehensive Annual Financial Report (CAFR) issued by the District. This CAFR for the year ended June 30, 2018 is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and in conformance with standards of financial reporting established by the Governmental Accounting Standards Board (GASB) using guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Accounting principles generally accepted in the United States of America (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Heath City School District's MD&A can be found immediately following the independent auditor's report.

The District provides a full range of education programs and services to 1,752 students. These include elementary and secondary curriculum offerings at the general, college preparatory, and vocational levels, a broad range of co-curricular and extracurricular activities, and special education services. In addition, the District provides state-financed assistance to non-public schools located within its boundaries. This assistance is accounted for in a special revenue fund. The non-public school operations have not met the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report.

HEATH CITY SCHOOL DISTRICT

Letter of Transmittal

For the Fiscal Year Ended June 30, 2018

ECONOMIC CONDITIONS AND OUTLOOK

The District is located within the City of Heath in Licking County, which is situated in the east-central part of the state. Heath is a community of 10,310 people. It is located approximately 6 miles north of Interstate 70, 45 miles east of Columbus and is bounded on the north by Newark, the county seat of Licking County. State Routes 79 and 13 serve as the major transportation arteries.

Long-Term Financial Planning – The District prepares a five-year forecast for use as a tool for long range planning. The five-year forecast projects local and state revenues, spending patterns within each area of the budget, and cash balances in the District’s operating fund. The District uses the five-year forecast to provide a basis for making financial decisions, including the construction of the annual budget, adjustments to staffing levels, collective bargaining, and the placement of tax levies on the ballot.

The District currently maintains a solid cash balance as a result of historically responsible management of its finances. The District’s General Fund receives approximately 47% of its receipts from local real estate taxes and approximately 35% from state funding. Tax year 2017 (collection year 2018) was a county reappraisal year impacting collections for the second half of fiscal year 2018. Class I (residential and agricultural) property values increased 12.0%. New residential construction explained 1.4% of that 12.0% increase, while the remainder was due to inflationary increases. Current trend data from real estate listings indicates continued appreciation in listing price/ square foot; a consistent trend since the prior reappraisal in CY 2011. However, the District’s size and past development leave few areas to develop significant additional housing stock. The District currently anticipates stable, but flat class I property values.

The District is unique in that it has a robust business sector representing slightly over 46% of property valuation in the District. Class II (industrial and commercial) property values increased 6.6% in tax year 2017 (collection year 2018). New construction drove 1.7% of the 6.6% increase, while the remainder was explained by inflationary increases. The District’s outlook for class II property values remains mixed. Retail comprises a large portion of these values, which is experiencing pressure from online sales. Within the past year Toys R’ Us and Elder Beerman announced that they would close their stores in the District as part of a larger trend. This is offset by other businesses entering the District. For example, Big Sandy Superstore, PetSmart, Five Guys and Fries restaurant, and Raising Caine’s restaurant all moved into the District during FY 2018. Aldi’s supermarket moved locations and expanded its footprint. Within the industrial and manufacturing sectors, GB Foods and Nuway Construction opened a facility within the District during FY 2018, while Samuel Packaging increased its footprint during the year. These are examples of the County’s and City’s strong efforts to attract new businesses. Recent growth in the western portion of the county represents a significant opportunity, but at this point it is premature to include an impact on the valuation assumptions of the District. The District currently maintains a roughly flat outlook for future class II property valuation growth.

State funding is largely formulaic where student enrollment, the District’s wealth relative to other school districts, and the state’s base funding per student are critical variables. Current law mutes funding increases from the prior fiscal year. The District’s funding is “capped” under these provisions despite the funding formula determining a higher funding level. The District has continued its open enrollment policy allowing resident students from other school districts to attend Heath City Schools. State funding for these students is redirected to the District, while allowing the administration to maintain stable staffing as student enrollment fluctuates. In FY 2018 the District allowed the number of open enrolled students to continue to expand to 218 individuals. This practice continues to have a positive impact on the District’s revenues.

HEATH CITY SCHOOL DISTRICT

Letter of Transmittal

For the Fiscal Year Ended June 30, 2018

MAJOR INITIATIVES

Current:

During FY 2018, the District has entered into an agreement with the Ohio School Benefits Cooperative to end its past practice of administering a self-insured health insurance plan beginning in FY 2019. The District will pool its risk with other school districts in a fully-funded insurance plan with the intention of reducing its insurance cost volatility. The District also hopes this initiative will maintain quality benefits to attract quality staff members and provide quality education.

Each year, the District updates a five-year continuous improvement plan developed by an administrative team consisting of the Superintendent, administrators, staff members, business members and the community. Using the Decision Framework and the Ohio Improvement Process the team identifies and develops goals, objectives and strategies to help ensure all students learn and grow.

Future:

During fiscal year 2018, the District announced an initiative to develop a comprehensive facilities and funding plan through community and stakeholder input during school year 2018-2019. The plan would evaluate the need and timing of any improvements to the District's four school buildings and administrative building. The District's elementary schools and Middle School are between 57 and 54 years old. Meanwhile, the High School is the District's newest school building at 16 years old. Through the years the District has made some renovations, but the cost of repairs and an opportunity to receive approximately 40% state funding for any new construction or renovation has prompted the District's Administration to seek public input.

During the 2018-2019 school year administrators and teachers will work to increase curriculum alignment and teacher quality through high quality professional development. Administrators have identified that knowledge of standards and the use of data are a focus for this school year, and will help to strengthen the academic foundation of the school system for the future. The 2017-18 school year saw significant improvements in growth and achievement on the district report card, and a focus on those improvements will continue into the coming years.

Student growth measures, which indicate the amount of improvement students demonstrate on a variety of assessments, are a continuous focus of teacher professional development. The District is currently adhering to a stringent professional development schedule which includes weekly TBT meetings, implementation of PBIS and monthly Building Leadership Team (BLT) and District Leadership Team (DLT) meetings to meet both of these initiatives.

District officials are also continuing work on the following initiatives:

- Continued improvement of technological infrastructure.
- Offer various classes of summer remediation and credit recovery at no cost to students and their families.
- Strive to meet all state indicators on the district report card.
- Full implementation of Leader in Me in the elementary grades (K-5) and the LEAD program in grades 7-12.
- Continue excellent growth on the state value-added measure, which is currently a B.

HEATH CITY SCHOOL DISTRICT

Letter of Transmittal

For the Fiscal Year Ended June 30, 2018

- Increase advanced placements and honors courses.
- Continue to expand technical preparatory opportunities.
- Utilize STAR Early Literacy, STAR Reading and Math Assessments for identifying students needing intervention, referral for possible gifted identification and/or progress monitoring of students.
- Utilize all available data to drive curricular decision in the regular curriculum, intervention areas and special education.

FINANCIAL INFORMATION

ACCOUNTING SYSTEM -- The District's accounting system is organized on a fund basis. Each fund is a separate self-balancing accounting entity. The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

INTERNAL CONTROLS -- The Treasurer of the District is responsible for establishing internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Management Team is responsible for assisting with implementation of the established internal controls. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of cost and benefit requires estimates and judgments by management.

BUDGETARY CONTROLS -- All governmental fund types are subject to annual expenditure budgets. The procedures below outline the District's budgetary procedures:

1. The county budget commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.
2. An annual appropriations measure is passed upon receipt of the County Auditor's final tax revenue estimates, October or November of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Board adopts temporary appropriations at its June Board meeting to cover expenditures until the adoption of the permanent appropriations. The appropriations measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments are given building budgeting funds for instructional supplies, custodial supplies, meeting and mileage expenses and equipment. Buildings and/or departments may move funds within their budgets with approval of the Superintendent and Treasurer. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the fund level.

HEATH CITY SCHOOL DISTRICT

Letter of Transmittal

For the Fiscal Year Ended June 30, 2018

Additionally, the District maintains an encumbrance accounting system as a useful technique of accomplishing budgetary control. Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures of funds are recorded in order to reserve that portion of the applicable appropriation.

OTHER INFORMATION

INDEPENDENT AUDIT -- This report includes an unmodified audit report regarding the District's financial statements. The audit was conducted by Julian & Grube, Inc. on behalf of Dave Yost, Auditor of State. The Independent Auditor's Report on the basic financial statements is included in the financial section of this report.

AWARDS -- The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities who qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only. The District received a Certificate of Achievement for the year ended June 30, 2017. We believe this, our seventeenth Comprehensive Annual Financial Report, meets the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting and we are submitting it to GFOA.

ACKNOWLEDGMENTS -- The preparation of the Comprehensive Annual Financial Report was made possible by the diligence of the Treasurer's staff. We are also grateful for the services of Donald J. Schonhardt & Associates, Inc. for their assistance in preparing this report. We truly appreciate the contribution made by each staff member in the preparation of this report.

In closing, without the patience and support of the Treasurer's Office Staff and the Board of Education, preparation of this report would not have been possible.

Respectfully submitted,



Trevor Thomas
Superintendent



Karl Zarins
Treasurer

HEATH CITY SCHOOL DISTRICT

Members of the Board of Education and Administration For the Fiscal Year Ended June, 30, 2018

Members of the Board of Education

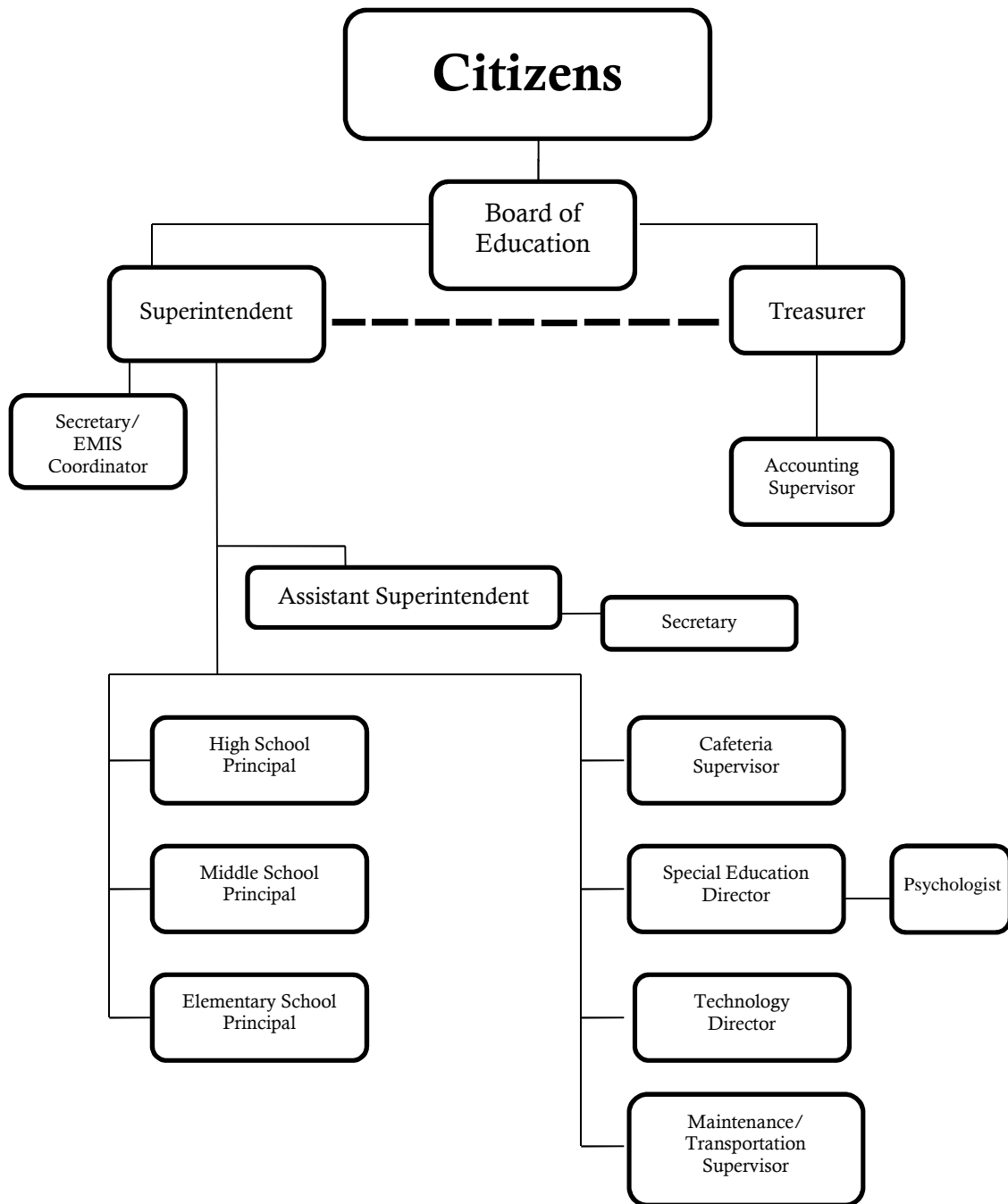
Name	Title	Years of Service
Ms. Debbie Kelley	President	10
Mr. Sam Smith	Vice President	6
Dr. Craig Dyer	Member	2
Dr. Melody Klontz	Member	2
Ms. Dianne Winter	Member	2

Administration

Name	Title	Years of Service	
		Position	Total
Dr. Trevor Thomas	Superintendent	5	16
Mr. Karl Zarins	Treasurer	1	16
Ms. Kelly Holbrook	Assistant Superintendent	5	20

HEATH CITY SCHOOL DISTRICT

*Organizational Chart
For the Fiscal Year Ended June 30, 2018*



HEATH CITY SCHOOL DISTRICT

*Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting*



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Heath City School District
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION





Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Heath City School District
Licking County
107 Lancaster Drive
Heath, Ohio 43056

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 Heath City School District, Licking County, Ohio, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Heath City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, during fiscal year 2018, the Heath City School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other postemployment benefit liabilities and pension and other postemployment 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 Heath City School District's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate 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.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of the Heath City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Heath City School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 27, 2018



HEATH CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Unaudited

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 are as follows:

- ❑ In total, net position increased \$10,573,230, which represents a 60.2% decrease in the net deficit from the restated 2017 net deficit.
- ❑ General revenues accounted for \$20,039,889 in revenue or 86.5% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$3,120,854 or 13.5% of total revenues of \$23,160,743.
- ❑ The District had \$12,587,513 in expenses related to governmental activities; only \$3,120,854 of these expenses were offset by program specific charges for services and sales and grants and contributions.
- ❑ Among major funds, the general fund had \$19,790,482 in revenues and \$17,012,883 in expenditures. The general fund's fund balance increased from \$6,226,799 to \$8,886,393.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis and the basic financial statements, required supplemental information, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the District's overall financial status.
2. The Fund Financial Statements – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

HEATH CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Unaudited

The two government-wide statements report the District's net position and how it has changed. Net-position (the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources) is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

Fiduciary Funds – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

HEATH CITY SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The Statement of Net Position provides a perspective of the District as a whole. The following table provides a summary of the District's net position for 2018 compared to 2017:

	Governmental Activities		Increase (Decrease)
	2018	Restated 2017	
Assets:			
Current and other assets	\$23,009,467	\$20,255,205	\$2,754,262
Capital assets, Net	11,169,717	11,839,489	(669,772)
Total assets	<u>34,179,184</u>	<u>32,094,694</u>	<u>2,084,490</u>
Deferred outflows of resources:			
Pension	6,005,430	5,264,567	740,863
OPEB	185,096	30,047	155,049
Total deferred outflows of resources	<u>6,190,526</u>	<u>5,294,614</u>	<u>895,912</u>
Liabilities:			
Net pension liability	18,472,585	25,219,197	(6,746,612)
Net OPEB liability	4,111,354	5,091,191	(979,837)
Long-term debt outstanding	11,888,278	12,664,532	(776,254)
Other liabilities	2,076,943	1,814,498	262,445
Total liabilities	<u>36,549,160</u>	<u>44,789,418</u>	<u>(8,240,258)</u>
Deferred inflows of resources:			
Property Tax	9,475,607	9,884,948	(409,341)
Refunding	258,821	287,578	(28,757)
Pension	622,244	0	622,244
OPEB	463,284	0	463,284
Total deferred inflows of resources	<u>10,819,956</u>	<u>10,172,526</u>	<u>647,430</u>
Net position (deficit):			
Net Investment in capital assets	2,116,344	1,638,635	477,709
Restricted	2,166,887	1,731,937	434,950
Unrestricted	(11,282,637)	(20,943,208)	9,660,571
Total net deficit	<u>(\$6,999,406)</u>	<u>(\$17,572,636)</u>	<u>\$10,573,230</u>

Net position of the District's governmental activities increased by \$10,573,230. This substantial increase can mostly be attributed to changes in the net pension and net OPEB liabilities. Expenses were reduced by a negative pension expense for fiscal year 2018 of \$5,564,072. As presented in the table of Changes in Net Position, total governmental expenses of \$12,587,513 were offset by program revenues of \$3,120,854 and general revenues of \$20,039,889.

HEATH CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Unaudited

The implementation of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," in fiscal year 2015, significantly revised accounting for pension costs and liabilities. For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which also significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

HEATH CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Unaudited

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

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a net deficit of \$12,511,492 to a net deficit of \$17,572,636 in governmental activities.

At year-end for governmental activities, capital assets represented 33% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2018 was \$2,116,344. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. A portion of the District's net position, \$2,166,887, represents resources that are subject to external restriction on how they may be used. Excluding the effect of GASB 68 and GASB 75, the District has approximately \$6.2 million in unrestricted net position which may be used to meet the District's ongoing obligations to the students and creditors.

HEATH CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Unaudited

Changes in Net Position – The following table shows the changes in net position for fiscal years 2018 and 2017:

	Governmental Activities		Increase (Decrease)
	2018	2017	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,934,950	\$1,664,569	\$270,381
Operating Grants and Contributions	1,185,904	1,229,537	(43,633)
Total Program Revenues	3,120,854	2,894,106	226,748
General Revenues:			
Property Taxes	12,056,417	10,581,761	1,474,656
Grants and Entitlements	7,643,707	7,435,029	208,678
Other	339,765	454,664	(114,899)
Total General Revenues	20,039,889	18,471,454	1,568,435
Total Revenues	23,160,743	21,365,560	1,795,183
Program Expenses			
Instruction	5,716,009	11,477,367	(5,761,358)
Support Services:			
Pupils Support	522,576	705,634	(183,058)
Instructional Staff Support	486,743	381,955	104,788
Board of Education	63,368	329,525	(266,157)
Administration	1,094,581	1,673,351	(578,770)
Fiscal Services	605,510	636,550	(31,040)
Business	17,892	13,562	4,330
Operation and Maintenance of Plant	1,598,068	1,838,229	(240,161)
Pupil Transportation	628,413	654,868	(26,455)
Central	240,897	403,385	(162,488)
Operation of Non-Instructional Services:			
Food Service Operations	724,156	727,620	(3,464)
Extracurricular Activities	424,403	793,082	(368,679)
Interest and Fiscal Charges	464,897	474,616	(9,719)
Total Expenses	12,587,513	20,109,744	(7,522,231)
Change in Net Position	10,573,230	1,255,816	9,317,414
Beginning Net Deficit, Restated	(17,572,636)	N/A	N/A
Ending Net Deficit	(\$6,999,406)	(\$17,572,636)	\$10,573,230

HEATH CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Unaudited

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$30,047 for Governmental Activities computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$626,073 for Governmental Activities.

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

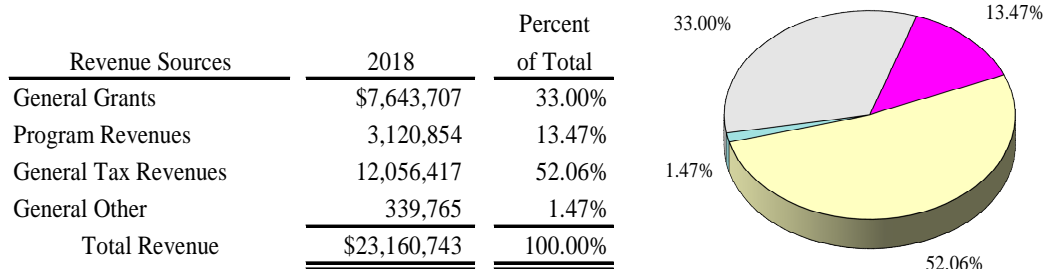
	Governmental Activities
Total 2018 program expenses under GASB 75	\$12,587,513
Negative (Positive) OPEB expense under GASB 75	626,073
2018 contractually required contribution	45,529
Adjusted 2018 program expenses	13,259,115
Total 2017 program expenses under GASB 45	20,109,744
Change in program expenses not related to OPEB	(\$6,850,629)

Governmental Activities

The primary sources of revenues for governmental activities are derived from property taxes and grants and entitlements. The primary sources total \$19,700,124 and represent 98% of total general revenue.

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

Property taxes made up 52% of revenues for governmental activities for Heath City Schools in fiscal year 2018. The District's reliance upon tax revenues is demonstrated by the following graph:



HEATH CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$11,039,500, which is higher than last year's total of \$7,901,237. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2018 and 2017.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase (Decrease)
General	\$8,886,393	\$6,226,799	\$2,659,594
Bond Retirement	1,399,129	1,006,492	392,637
Other Governmental	753,978	667,946	86,032
Total	<u>\$11,039,500</u>	<u>\$7,901,237</u>	<u>\$3,138,263</u>

General Fund – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2018 Revenues	2017 Revenues	Increase (Decrease)
Taxes	\$10,489,186	\$9,287,373	\$1,201,813
Tuition	1,425,622	1,161,902	263,720
Investment Earnings	85,330	42,040	43,290
Class Materials and Fees	59,295	57,169	2,126
Intergovernmental - State	7,501,822	7,408,392	93,430
All Other Revenue	229,227	387,415	(158,188)
Total	<u>\$19,790,482</u>	<u>\$18,344,291</u>	<u>\$1,446,191</u>

General Fund revenues in 2018 increased approximately 7.9% compared to revenues in fiscal year 2017. During fiscal year 2018, the District had a \$1 million increase in taxes due an increase in public utility personal property valuations, an increase in real property valuations (though the impact is largely muted on collections), and an increase in available tax advances at June 30, 2018. The increase in available tax advances was the result of an increase in taxpayers paying their property taxes earlier, prior to December 31, 2017 due to changes in the Federal Tax Code. Intergovernmental – State increased due to increases in the State's Foundation funding provisions including an expansion of funding caps. The increase in tuition is due to a 20.9% increase in the number of students enrolled under the open enrollment option. Investment earnings increased due to a rising interest rate environment and larger cash holdings than the prior year.

HEATH CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Unaudited

	2018 Expenditures	2017 Expenditures	Increase (Decrease)
Instruction	\$10,444,109	\$10,095,259	\$348,850
Supporting Services:			
Pupils Support	615,764	618,215	(2,451)
Instructional Staff Support	530,630	310,864	219,766
Board of Education	63,368	329,525	(266,157)
Administration	1,574,745	1,365,670	209,075
Fiscal Services	607,468	577,135	30,333
Business	17,892	13,562	4,330
Operation and Maintenance of Plant	1,575,075	1,570,171	4,904
Pupil Transportation	652,338	554,295	98,043
Central	246,830	383,967	(137,137)
Operation of Non-Instructional Services:			
Food Service Operations	873	1,548	(675)
Extracurricular Activities	450,718	417,659	33,059
Capital Outlay	173,287	640,055	(466,768)
Debt Service:			
Principal Retirement	49,331	65,925	(16,594)
Interest and Fiscal Charges	10,455	13,473	(3,018)
Total	<u>\$17,012,883</u>	<u>\$16,957,323</u>	<u>\$55,560</u>

The expenditures increased by \$55,560 or 0.3% compared to the prior year. The overall increase is due to factors that impact several categories. First, salary costs increased by 4.4% due to negotiated base increases of 2.0% for certified staff and 2.25% for non-certified staff in addition to step increases. This is offset by a decrease in benefit costs of 6.5%. In addition, insurance premiums declined by 10.3% as claims experience has stabilized, however, this is offset by lower employee insurance contributions (28% to 22% for certified employees and 15% to 12% for non-certified staff).

Capital Outlay costs declined in FY18 predominantly because FY17 costs reflect the capitalization of copier leases and bus leases with an overall impact of approximately \$325,000. In addition, FY 17 costs reflect higher costs for various repairs and minor renovations including: roof repairs, parking lot repairs, and other minor renovation projects. FY 18 expenditures also reflect some changes in categorizing expenditures to better reflect the nature of services. For example, instructional staff support increased in part due to a change in categorizing a portion of certain positions' salary costs previously categorized as administration or central support services to better reflect their roles and job duties per their written job descriptions. This is offset by changing the categorization of some outsource consulting services from Board of Education expenses to Administration codes to better reflect the nature of the expenditures. Board of Education Support Services also declined because FY 18 did not have FSA contributions of approximately \$92,000 as was negotiated in collective bargaining agreements in FY 17 and severance costs declined by approximately 68,000.

Bond Retirement Fund – This fund increased as a result of transferring funds from the general fund to pay for bus lease payments, a decline in debt interest costs, and increased tax collections.

HEATH CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Unaudited

GENERAL FUND BUDGETING HIGHLIGHTS

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

During the course of fiscal year 2018 the District amended its General Fund budget several times, but the overall changes were not significant.

The General Fund budget basis revenue increased approximately \$830,000 compared to the original budget estimates. The increase was a result of increased state aid and open enrollment values that became known after establishing initial revenue estimates. In addition, some increases were also due to increases in tax collections due to early payments and valuation increases that became known after the county auditor's 2017 reappraisal. Actual revenues did not significantly differ from budgeted revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2018, the District had \$11,169,717 net of accumulated depreciation invested in land, buildings, equipment, and vehicles. The following table shows fiscal year 2018 and 2017 balances:

	Governmental Activities		Increase (Decrease)
	2018	2017	
Land	\$438,952	\$438,952	\$0
Land Improvements	2,161,359	2,161,359	0
Buildings and Improvements	22,220,267	21,992,102	228,165
Machinery and Equipment	1,503,052	1,491,137	11,915
Vehicles	1,084,996	1,022,796	62,200
Construction in Progress	0	125,000	(125,000)
Less: Accumulated Depreciation	(16,238,909)	(15,391,857)	(847,052)
Totals	\$11,169,717	\$11,839,489	(\$669,772)

The District's capital assets decreased in 2018 due to depreciation, this was somewhat offset by the completion of a roof replacement. Additional information on the District's capital assets can be found in Note 9.

HEATH CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Unaudited

Debt

At June 30, 2018, the District had \$11.9 million in general obligation bonds, capital leases and compensated absences outstanding, \$1,283,422 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2018 and 2017:

	2018	Restated 2017
Governmental Activities:		
General Obligation Bonds Payable	\$10,566,487	\$11,355,564
Net Pension Liability	18,472,585	25,219,197
Net OPEB Liability	4,111,354	5,091,191
Capital Leases Payable	191,201	256,008
Compensated Absences	1,130,590	1,052,960
Totals	<u>\$34,472,217</u>	<u>\$42,974,920</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2018, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 12.

ECONOMIC FACTORS

In May 2017, the District voters renewed a 7.7 mill emergency levy for 10 years. The Licking County Auditor performed its latest reappraisal of property values in calendar year 2017, impacting collections for fiscal years 2018 and 2019. The county auditor conducts their reappraisal every 6th year, with an update the third year (CY 2020).

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Karl Zarins, Treasurer, Heath City School District.

HEATH CITY SCHOOL DISTRICT

Statement of Net Position ***June 30, 2018***

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 10,178,799
Investments	1,352,351
Receivables:	
Taxes	11,276,304
Accounts	1,571
Intergovernmental	144,355
Interest	6,238
Inventory	7,283
Prepaid Items	42,566
Capital Assets:	
Nondepreciable Capital Assets	438,952
Depreciable Capital Assets, Net	<u>10,730,765</u>
Total Capital Assets, Net	<u>11,169,717</u>
Total Assets	<u>34,179,184</u>
 Deferred Outflows of Resources:	
Pension	6,005,430
OPEB	<u>185,096</u>
Total Deferred Outflows of Resources	<u>6,190,526</u>
 Liabilities:	
Accounts Payable	135,893
Accrued Wages and Benefits	1,441,203
Intergovernmental Payable	245,611
Claims Payable	231,816
Accrued Interest Payable	22,420
Long Term Liabilities:	
Due Within One Year	1,283,422
Due in More Than One Year:	
Net Pension Liability	18,472,585
Net OPEB Liability	4,111,354
Other Amounts Due in More Than One Year	<u>10,604,856</u>
Total Liabilities	<u>36,549,160</u>

HEATH CITY SCHOOL DISTRICT

	Governmental Activities
Deferred Inflows of Resources:	
Property Taxes	9,475,607
Deferred Gain on Refunding	258,821
Pension	622,244
OPEB	463,284
Total Deferred Inflows of Resources	<u>10,819,956</u>
Net Position:	
Net Investment in Capital Assets	2,116,344
Restricted For:	
Capital Projects	679,363
Debt Service	1,395,292
Statutory Purposes	56,396
Federal and State Grant Programs	35,836
Unrestricted (Deficit)	<u>(11,282,637)</u>
Total Net Position	<u><u>\$ (6,999,406)</u></u>

See accompanying notes to the basic financial statements



HEATH CITY SCHOOL DISTRICT

Statement of Activities For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense)
				Revenue and
				Change in
				Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 5,716,009	\$ 1,484,917	\$ 556,416	\$ (3,674,676)
Support Services:				
Pupils	522,576	51,269	16,156	(455,151)
Instructional Staff	486,743	0	48,744	(437,999)
Board of Education	63,368	0	0	(63,368)
Administration	1,094,581	0	141,084	(953,497)
Fiscal Services	605,510	0	0	(605,510)
Business	17,892	0	0	(17,892)
Operation and Maintenance of Plant	1,598,068	0	0	(1,598,068)
Pupil Transportation	628,413	0	0	(628,413)
Central	240,897	0	7,200	(233,697)
Operation of Non-Instructional Services:				
Food Service Operations	724,156	264,402	416,304	(43,450)
Extracurricular Activities	424,403	134,362	0	(290,041)
Interest and Fiscal Charges	464,897	0	0	(464,897)
Total Governmental Activities	\$ 12,587,513	\$ 1,934,950	\$ 1,185,904	(9,466,659)

General Revenues

Property Taxes Levied for:	
General Purposes	10,485,484
Debt Service	1,359,339
Capital Outlay	211,594
Grants and Entitlements not Restricted to Specific Programs	7,643,707
Investment Earnings	119,740
Miscellaneous	220,025
Total General Revenues	20,039,889
Change in Net Position	10,573,230
Net Deficit Beginning of Year, Restated	(17,572,636)
Net Deficit End of Year	\$ (6,999,406)

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 7,731,089	\$ 1,201,809	\$ 769,953	\$ 9,702,851
Investments	1,352,351	0	0	1,352,351
Receivables:				
Taxes	9,747,507	1,331,608	197,189	11,276,304
Accounts	1,571	0	0	1,571
Intergovernmental	51,297	0	93,058	144,355
Interest	6,238	0	0	6,238
Interfund Loan Receivable	5,000	0	0	5,000
Inventory	0	0	7,283	7,283
Prepaid Items	0	0	42,566	42,566
Total Assets	\$ 18,895,053	\$ 2,533,417	\$ 1,110,049	\$ 22,538,519
Liabilities:				
Accounts Payable	\$ 126,036	\$ 0	\$ 9,857	\$ 135,893
Accrued Wages and Benefits	1,326,099	0	115,104	1,441,203
Intergovernmental Payable	228,803	0	16,808	245,611
Interfund Loans Payable	0	0	5,000	5,000
Total Liabilities	1,680,938	0	146,769	1,827,707
Deferred Inflows of Resources:				
Property Taxes	8,193,030	1,115,705	166,872	9,475,607
Unavailable Revenue	134,692	18,583	42,430	195,705
Total Deferred Inflows of Resources	8,327,722	1,134,288	209,302	9,671,312
Fund Balances:				
Nonspendable	0	0	49,849	49,849
Restricted	0	1,399,129	729,355	2,128,484
Assigned	531,080	0	0	531,080
Unassigned	8,355,313	0	(25,226)	8,330,087
Total Fund Balances	8,886,393	1,399,129	753,978	11,039,500
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 18,895,053	\$ 2,533,417	\$ 1,110,049	\$ 22,538,519

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2018

Total Governmental Fund Balances	\$	11,039,500
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***Amounts reported for governmental activities in the
statement of net position are different because***

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		11,169,717
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Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		195,705
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The net pension liability is not due and payable in the current period;
therefore, the liability and related deferred inflows/outflows are not
reported in governmental funds:

Deferred Outflows - Pension	6,005,430	
Deferred Inflows - Pension	(622,244)	
Net Pension Liability	<u>(18,472,585)</u>	(13,089,399)

The net OPEB liability is not due and payable in the current period;
therefore, the liability and related deferred inflows/outflows are not
reported in governmental funds:

Deferred Outflows - OPEB	185,096	
Deferred Inflows - OPEB	(463,284)	
Net OPEB Liability	<u>(4,111,354)</u>	(4,389,542)

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

General Obligation Bonds Payable	(8,199,987)	
Deferred Gain on Refunding (to be amortized over life of debt)	(258,821)	
Issuance Premium (to be amortized over life of debt)	(403,364)	
Interest Accretion (to be amortized as interest expense)	(1,963,136)	
Capital Leases Payable	(191,201)	
Compensated Absences Payable	(1,130,590)	
Accrued Interest Payable	<u>(22,420)</u>	(12,169,519)

The internal service fund is used by management to
charge the costs of services to individual funds. The assets
and liabilities of the internal service fund is included in
governmental activities in the statement of net position.

	<u>244,132</u>
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Net Position of Governmental Activities

\$	<u>(6,999,406)</u>
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See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local Sources:				
Taxes	\$ 10,489,186	\$ 1,357,552	\$ 211,736	\$ 12,058,474
Tuition	1,425,622	0	0	1,425,622
Food Services	0	0	264,402	264,402
Investment Earnings	85,330	0	27,006	112,336
Extracurricular Activities	0	0	134,362	134,362
Class Materials and Fees	59,295	0	0	59,295
Intergovernmental - State	7,501,822	224,455	27,850	7,754,127
Intergovernmental - Federal	0	0	1,134,337	1,134,337
All Other Revenue	229,227	0	32,067	261,294
Total Revenues	19,790,482	1,582,007	1,831,760	23,204,249
Expenditures:				
Current:				
Instruction	10,444,109	0	646,594	11,090,703
Supporting Services:				
Pupils	615,764	0	28,630	644,394
Instructional Staff	530,630	0	50,984	581,614
Board of Education	63,368	0	0	63,368
Administration	1,574,745	0	129,045	1,703,790
Fiscal Services	607,468	19,222	3,045	629,735
Business	17,892	0	0	17,892
Operation and Maintenance of Plant	1,575,075	0	0	1,575,075
Pupil Transportation	652,338	0	0	652,338
Central	246,830	0	0	246,830
Operation of Non-Instructional Services:				
Food Service Operations	873	0	708,771	709,644
Extracurricular Activities	450,718	0	180,979	631,697
Capital Outlay	173,287	0	0	173,287
Debt Service:				
Principal Retirement	49,331	1,014,296	0	1,063,627
Interest and Fiscal Charges	10,455	284,677	0	295,132
Total Expenditures	17,012,883	1,318,195	1,748,048	20,079,126
Excess of Revenues Over Expenditures	2,777,599	263,812	83,712	3,125,123

HEATH CITY SCHOOL DISTRICT

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):				
Sale of Capital Assets	2,000	0	0	2,000
Other Financing Sources - Capital Lease	8,820	0	0	8,820
Transfers In	0	128,825	0	128,825
Transfers Out	(128,825)	0	0	(128,825)
Total Other Financing Sources (Uses)	(118,005)	128,825	0	10,820
Net Change in Fund Balances	2,659,594	392,637	83,712	3,135,943
Fund Balances at Beginning of Year	6,226,799	1,006,492	667,946	7,901,237
Increase in Inventory	0	0	2,320	2,320
Fund Balances End of Year	\$ 8,886,393	\$ 1,399,129	\$ 753,978	\$ 11,039,500

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances Of Governmental Funds To the Statement Of Activities For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 3,135,943
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***Amounts reported for governmental activities in the statement of
activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(664,962)
---	-----------

The net effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net position.	(4,810)
--	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(50,064)
--	----------

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	1,346,688
---	-----------

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	5,564,072
--	-----------

Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB income/(expense) in the statement of activities.	626,073
---	---------

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,054,807
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due.	2,401
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HEATH CITY SCHOOL DISTRICT

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 the governmental funds.

Compensated Absences	(79,993)	
Interest Accretion	(264,840)	
Amortization of Deferred Gain on Refunding	28,757	
Amortization of Premium on Bond Issuance	63,917	
Change in Inventory	<u>2,320</u>	(249,839)

The internal service fund, which is used by management to charge the costs of services to individual funds, is not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(187,079)

Change in Net Position of Governmental Activities

\$ 10,573,230

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

***Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2018***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Local Sources:				
Taxes	\$ 9,291,306	\$ 9,611,653	\$ 9,650,406	\$ 38,753
Tuition	1,279,235	1,408,511	1,425,622	17,111
Investment Earnings	18,300	68,000	85,274	17,274
Class Material and Fees	5,055	2,555	2,938	383
Intergovernmental - State	7,089,776	7,377,296	7,464,572	87,276
All Other Revenues	<u>357,210</u>	<u>353,200</u>	<u>123,311</u>	<u>(229,889)</u>
Total Revenues	<u>18,040,882</u>	<u>18,821,215</u>	<u>18,752,123</u>	<u>(69,092)</u>
Expenditures:				
Current:				
Instruction	10,924,436	10,291,985	10,117,360	174,625
Support Services:				
Pupils	463,826	555,779	505,069	50,710
Instructional Staff	231,277	522,311	507,290	15,021
Board of Education	115,637	48,051	31,570	16,481
Administration	1,572,326	1,576,610	1,531,716	44,894
Fiscal Services	584,253	649,614	618,936	30,678
Business	17,920	20,120	17,866	2,254
Operation and Maintenance of Plant	1,703,346	1,984,186	1,850,119	134,067
Pupil Transportation	546,802	687,548	673,326	14,222
Central	581,002	266,378	241,792	24,586
Non-Instructional Services:				
Food Services	2,116	2,116	989	1,127
Extracurricular Activities	461,400	481,603	451,906	29,697
Capital Outlay	<u>188,000</u>	<u>206,923</u>	<u>206,167</u>	<u>756</u>
Total Expenditures	<u>17,392,341</u>	<u>17,293,224</u>	<u>16,754,106</u>	<u>539,118</u>
Excess of Revenues				
Over Expenditures	648,541	1,527,991	1,998,017	470,026

HEATH CITY SCHOOL DISTRICT

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Sale of Capital Assets	1,300	2,000	2,000	0
Transfers In	0	50,000	0	(50,000)
Transfers Out	0	(228,279)	(178,279)	50,000
Advances In	173,000	173,000	173,000	0
Advances Out	0	(5,000)	(5,000)	0
Total Other Financing Sources (Uses)	<u>174,300</u>	<u>(8,279)</u>	<u>(8,279)</u>	<u>0</u>
Net Change in Fund Balance	822,841	1,519,712	1,989,738	470,026
Fund Balance at Beginning of Year	6,454,700	6,454,700	6,454,700	0
Prior Year Encumbrances	<u>11,658</u>	<u>11,658</u>	<u>11,658</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 7,289,199</u>	<u>\$ 7,986,070</u>	<u>\$ 8,456,096</u>	<u>\$ 470,026</u>

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund
June 30, 2018

	Governmental Activities - Internal Service Funds
Assets:	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 475,948
Total Assets	<u>475,948</u>
Liabilities:	
<i>Long Term Liabilities:</i>	
Claims Payable	<u>231,816</u>
Total Liabilities	<u>231,816</u>
Net Position:	
Unrestricted	<u>244,132</u>
Total Net Position	<u>\$ 244,132</u>

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

***Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2018***

	Governmental Activities - Internal Service Funds
Operating Revenues:	
Interfund Charges	\$ 1,972,382
Total Operating Revenues	<u>1,972,382</u>
Operating Expenses:	
Claims	1,746,736
Contractual Services	<u>419,283</u>
Total Operating Expenses	<u>2,166,019</u>
Operating Loss	(193,637)
Nonoperating Revenue:	
Investment Earnings	<u>6,558</u>
Total Nonoperating Revenues	<u>6,558</u>
Change in Net Position	(187,079)
Net Position Beginning of Year	<u>431,211</u>
Net Position End of Year	<u>\$ 244,132</u>

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2018

	Governmental Activities - Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Charges	\$ 2,576,909
Cash Payments for Goods and Services	(419,283)
Cash Payments for Claims	(1,866,640)
Net Cash Provided by Operating Activities	290,986
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	6,558
Net Cash Provided by Investing Activities	6,558
Net Increase in Cash and Cash Equivalents	297,544
Cash and Cash Equivalents at Beginning of Year	178,404
Cash and Cash Equivalents at End of Year	\$475,948
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Loss	(\$193,637)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	608,307
Decrease in Claims Payable	(123,684)
Total Adjustments	484,623
Net Cash Provided by Operating Activities	\$ 290,986

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

Statement of Net Position Fiduciary Funds June 30, 2018

	Private Purpose Trust	
	Special Trust Fund	Agency
Assets:		
Cash and Cash Equivalents	\$ 1,370	\$ 72,388
Total Assets	<u>1,370</u>	<u>72,388</u>
Liabilities:		
Due to Others	0	29,767
Due to Students	0	42,621
Total Liabilities	<u>0</u>	<u>72,388</u>
Net Position:		
Unrestricted	1,370	0
Total Net Position	<u>\$ 1,370</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

Statement of Changes in Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
	Special Trust Fund
Additions:	
Investment Earnings:	
Interest	\$ 23
Total Additions	23
Deductions:	
Community Gifts, Awards and Scholarships	100
Total Deductions	100
Change in Net Position	(77)
Net Position at Beginning of Year	1,447
Net Position End of Year	\$ 1,370

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 59 noncertified and approximately 114 certified teaching personnel and administrative employees providing education to 1,752 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations are Component Units"* and GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus"* in that the statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the District's ability to impose its will over the organization's governing body or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria to be included in the District's reporting entity. The District participates in two jointly governed organizations. These organizations are the Licking Area Computer Association (LACA), which provides computer services to school districts and the State Support Team (SST11) Region 11. The Licking County Career and Technical Education Center acts as fiscal agent for LACA and the Educational Service Center of Central Ohio is the fiscal agent for SST11. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

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

B. Basis of Presentation - Fund Accounting

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types are used by the District:

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

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

Bond Retirement Fund - This fund is used for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.

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

Proprietary Funds - The District classifies funds financed primarily from user charges for goods or services as proprietary. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for a self-insurance program which provides insurance benefits to employees.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore are not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs for students. The District's agency funds account for various student-managed activity programs and tournament money for the Ohio High School Athletic Association. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus – Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” services.

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

All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

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

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. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current deferred outflows, and current liabilities, and current deferred inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Private purpose trust funds are reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Grants and entitlements must also meet eligibility, timing and any contingency requirements. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on general long-term debt which is recognized when due.

Under the modified accrual basis, revenue considered susceptible to accrual at year end includes property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

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

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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

1. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2018.

2. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year.

During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The treasurer may allocate appropriations among departments within a fund. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Lapsing of Appropriations

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

4. Budgetary Basis of Accounting

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

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

Net Change in Fund Balance	
	<u>General Fund</u>
GAAP Basis (as reported)	\$2,659,594
Increase (Decrease):	
Accrued Revenues	
at June 30, 2018,	
received during FY 2019	(1,483,891)
Accrued Revenues	
at June 30, 2017,	
received during FY 2018	805,138
Accrued Expenditures	
at June 30, 2018,	
paid during FY 2019	1,680,938
Accrued Expenditures	
at June 30, 2017,	
paid during FY 2018	(1,336,236)
FY 2017 Prepays for FY 2018	29,944
Perspective Difference-	
Budgeted Special Revenue Funds	
reclassified as General Fund	3,097
Encumbrances Outstanding	(368,846)
Budget Basis	<u>\$1,989,738</u>

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2018, cash and cash equivalents included amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less, and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and cash equivalents and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its investments in federal securities at fair value and its nonparticipating investment contracts (certificates of deposit) at cost which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 5, "Cash, Cash Equivalents and Investments."

During 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

H. Inventory

On government-wide financial statements and the governmental fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the governmental fund financial statements and using the consumption method on the government-wide financial statements.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventory (Continued)

On the governmental fund financial statements, inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

I. Prepaid Items

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

J. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those assets specifically related to governmental activities. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

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

2. Depreciation

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

Description	Estimated Lives (in years)
Land Improvements	20
Buildings and Improvements	20-50
Equipment, Furniture and Fixtures	5-30
Vehicles	8

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

Obligation	Fund
General Obligation Bonds Payable	Bond Retirement Fund
Compensated Absences	General Fund, Food Service Fund
Capital Leases Payable	General Fund, Bond Retirement Fund

L. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 330 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 56.75 days for certified employees or 61 days for noncertified employees, plus one day for each year of service over ten years. Compensated absences accumulated by governmental fund type employees are retired as an expense when earned in the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the fund financial statements.

M. Net Position

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

The District policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The District did not have net position restricted by enabling legislation at June 30, 2018.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board of Education may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget. Through the District’s purchasing policy the Board of Education has given the Treasurer the authority to constrain monies for intended purposes in the general fund, which are reported as assigned fund balance.

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 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.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions/Other Postemployment Benefits (OPEB)

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

P. Interfund Activity

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

Q. Estimates

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

R. Operating Revenues and Expenses

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating revenues generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating expenses include claims and administrative costs. The fund statements report all other revenues and expenses as nonoperating.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Extraordinary item transactions did not occur during fiscal year 2018. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2018, the District had no extraordinary or special items.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Bond Premiums, Bond Discounts, Gains/Losses on Refunding and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are expensed. Bond premiums are deferred and amortized over the term of the bonds. Any gain or loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums, and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

U. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pensions and for OPEB. The deferred outflows of resources related to pensions and OPEB are explained in Notes 10 and 11, respectively.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported on the government wide statement of net position for deferred gains on refunding and deferred inflows of resources related to pensions and OPEB which are explained in Notes 10 and 11, respectively. The deferred gain on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, the government-wide statement of net position and the governmental funds balance sheet report property taxes that are intended to finance future fiscal periods are reported as deferred inflows. The governmental funds balance sheet also reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable amounts, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, investment earnings, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Fair Value

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

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 81, "Irrevocable Split-Interest Agreements," Statement No. 85, "Omnibus 2017", and Statement No. 86, "Certain Debt Extinguishment Issues." Other than GASB Statement No. 75, these statements had no effect on beginning net position.

Statement No. 75 replaces the requirements of GASB Statement No. 45 and addresses accounting and financial reporting for postemployment benefits that are provided to the employees of state and local government employers. In addition, it establishes standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses and addresses note disclosure and required supplementary information requirements.

The implementation of GASB 75 had the following effect on net position as reported June 30, 2017:

	<u>Governmental Activities</u>
Net position June 30, 2017	(\$12,511,492)
Adjustments:	
Net OPEB Liability	(5,091,191)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>30,047</u>
Restated Net Position June 30, 2017	<u><u>(\$17,572,636)</u></u>

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 3 – FUND BALANCES

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid Items	\$0	\$0	\$42,566	\$42,566
Supplies Inventory	0	0	7,283	7,283
Total Nonspendable	0	0	49,849	49,849
Restricted:				
Food Service Operations	0	0	23,298	23,298
Community Activities	0	0	1,358	1,358
Extracurricular Activities	0	0	50,628	50,628
Technology Improvements	0	0	5,601	5,601
Professional Development	0	0	14,400	14,400
Debt Service Payments	0	1,399,129	0	1,399,129
Capital Improvements	0	0	634,070	634,070
Total Restricted	0	1,399,129	729,355	2,128,484
Assigned to Other Purposes	531,080	0	0	531,080
Total Assigned	531,080	0	0	531,080
Unassigned	8,355,313	0	(25,226)	8,330,087
Total Fund Balances	<u>\$8,886,393</u>	<u>\$1,399,129</u>	<u>\$753,978</u>	<u>\$11,039,500</u>

HEATH CITY SCHOOL DISTRICT

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

NOTE 4 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which depreciation exceeded capital outlays in the current period:

Capital Outlay	\$190,706
Depreciation Expense	(855,668)
	<u>(\$664,962)</u>

Amount of loss on disposal of capital assets net of proceeds received:

Loss on Disposal of Capital Asset	(\$2,810)
Proceeds Received	(2,000)
	<u>(\$4,810)</u>

Governmental revenues not reported in the funds:

Decrease in Delinquent Tax Revenue	(\$2,057)
Decrease in Intergovernmental Grants Receivable	(48,853)
Increase in Interest Earnings	846
	<u>(\$50,064)</u>

Amount of current year contractually required contributions deferred:

Pension Contributions	\$1,301,159
OPEB Contributions	45,529
	<u>\$1,346,688</u>

Amount of bond and lease principal payments:

Bond Principal Payment	\$990,000
Capital Lease Payment	73,627
Inception of Capital Lease	(8,820)
	<u>\$1,054,807</u>

HEATH CITY SCHOOL DISTRICT

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

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. The District has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Treasurer to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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;

HEATH CITY SCHOOL DISTRICT

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

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- The State Treasury Asset Reserve of Ohio (STAR Ohio);
- Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
- Under limited circumstances, corporate debt interest rated in either of the two highest rating classification by at least two nationally recognized rating agencies.
- Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. The District has no policy on custodial credit risk and is governed by Ohio Revised Code. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end the carrying amount of the District's deposits was \$9,136,148 and the bank balance was \$9,253,997. Federal depository insurance covered \$8,796,090 of the bank balance and \$457,907 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held in the Ohio Pooled Collateral System	\$457,907
Total Balance	\$457,907

Following Ohio statues, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$85,330. This includes \$14,012 assigned from other District funds.

HEATH CITY SCHOOL DISTRICT

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

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The District's investments at June 30, 2018 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)	
			less than 1	1-3 years
STAR Ohio	\$1,117,509	a AAAM ²	\$1,117,509	\$0
FNMA Notes	400,000	b Aaa ¹ , AA+ ²	0	400,000
FHLMC Notes	149,475	Aaa ¹ , AA+ ²	0	149,475
US Treasury Bills	266,841	P-1 ¹ , A-1+ ²	266,841	0
Negotiable CD	534,935	AAA ³	470,000	64,935
Total Investments	<u>\$2,468,760</u>		<u>\$1,854,350</u>	<u>\$614,410</u>

¹ Moody's Investor Service

² Standard & Poor's

³ All are fully FDIC insured and therefore have an implied AAA credit rating.

^a Measured on an amortized cost basis.

^b \$155,000 in securities are callable in November 2018, and \$245,000 in securities are callable in January 2019.

The District's investments in federal agency securities (FHLMC, FNMA), US Treasury Bills and negotiable certificates of deposit are valued using quoted prices in markets that are not considered to be active dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The District has no policy that limits investment purchases beyond the requirements of the Ohio Revised Code.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitation of State statute for "interim" funds described previously.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 45% are STAR Ohio, 16% are FNMA, 6% are FHLMC, 11% are US Treasury Bills, and 22% are Negotiable Certificates of Deposit.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

HEATH CITY SCHOOL DISTRICT

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

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$10,252,557	\$1,352,351
Certificates of Deposit (with maturities of more than 3 months)	1,100	(1,100)
STAR Ohio	(1,117,509)	1,117,509
Per GASB Statement No. 3	<u>\$9,136,148</u>	<u>\$2,468,760</u>

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 6 - PROPERTY TAXES (Continued)

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

	Assessed Values for Collection in:	
	2017 Second Half	2018 First Half
Agricultural/Residential and Other Real Estate	\$236,501,406	\$259,175,790
Public Utility Personal	11,761,470	12,215,810
Total Assessed Value	<u>\$248,262,876</u>	<u>\$271,391,600</u>
Tax rate per \$1,000 of assessed valuation	\$63.30	\$62.60

Tax Abatement

The District incurs a reduction in property taxes through tax abatement agreements entered into by other governments with property owners that reduce the District's taxes.

As of June 30, 2018, another governmental entity provided tax abatements through the Community Reinvestment Area (CRA) program. Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

During fiscal year 2018, the District's property tax revenues were reduced under agreements entered into by another government as follows:

Government Entering Into Agreement	District Taxes Abated
City of Heath	\$ 417,144

HEATH CITY SCHOOL DISTRICT

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018 consisted of accounts, taxes, intergovernmental and interest receivables. All receivables are expected to be collected within the next year.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2018:

	Interfund Loan Receivables	Interfund Loan Payables
General Fund	\$5,000	\$0
Nonmajor Governmental Funds	0	5,000
Totals	<u>\$5,000</u>	<u>\$5,000</u>

The Interfund Loan is a short-term loan which will be paid back within the year. The primary purpose of the interfund balance is to cover costs in specific funds where revenues were not received by June 30, 2018.

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HEATH CITY SCHOOL DISTRICT

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

NOTE 9 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2018:

Historical Cost:

Class	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
<i>Capital Assets not being depreciated:</i>				
Land	\$438,952	\$0	\$0	\$438,952
Construction In Progress	125,000	0	(125,000)	0
Subtotal	563,952	0	(125,000)	438,952
<i>Capital Assets being depreciated:</i>				
Land Improvements	2,161,359	0	0	2,161,359
Buildings and Improvements	21,992,102	228,165	0	22,220,267
Furniture, Fixtures and Equipment	1,491,137	25,341	(13,426)	1,503,052
Vehicles	1,022,796	62,200	0	1,084,996
Subtotal	26,667,394	315,706	(13,426)	26,969,674
Total Cost	\$27,231,346	\$315,706	(\$138,426)	\$27,408,626

Accumulated Depreciation:

Class	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Land Improvements	(\$1,673,429)	(\$82,982)	\$0	(\$1,756,411)
Buildings and Improvements	(11,849,885)	(646,543)	0	(12,496,428)
Furniture, Fixtures and Equipment	(1,088,999)	(75,006)	8,616	(1,155,389)
Vehicles	(779,544)	(51,137)	0	(830,681)
Total Depreciation	(\$15,391,857)	(\$855,668) *	\$8,616	(\$16,238,909)
<i>Net Value:</i>	\$11,839,489			\$11,169,717

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$444,687
Support Services:	
Pupils	20,197
Instructional Staff	20,579
Administration	42,490
Fiscal Services	2,117
Operations and Maintenance of Plant	54,666
Pupil Transportation	68,475
Operation of Non-Instructional Services:	
Food Service	34,784
Extracurricular Activities	167,673
Total Depreciation Expense	<u>\$855,668</u>

HEATH CITY SCHOOL DISTRICT

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. Net Pension Liability

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

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

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

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

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary. Effective January 1, 2018, cost-of-living adjustment (COLA) will change from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. HB 49 also provided the SERS Retirement Board with the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W; however, any adjustment above or below CPI-W could only be enacted if the system's actuary determines it would not materially impair the fiscal integrity of the system, or is necessary to preserve the fiscal integrity of the system.

HEATH CITY SCHOOL DISTRICT

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

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

The District's contractually required contribution to SERS was \$287,240 for fiscal year 2018. Of this amount \$11,711 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

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

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14% and the member rate was 14% of covered payroll. The entire 14% was used to fund pension obligations. The statutory maximum employer rate is 14%.

The District's contractually required contribution to STRS was \$1,013,919 for fiscal year 2018. Of this amount \$180,608 is reported as an intergovernmental payable.

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

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,752,084	\$14,720,501	\$18,472,585
Proportion of the Net Pension Liability -2018	0.0627987%	0.06196745%	
Proportion of the Net Pension Liability -2017	0.0628256%	0.06160468%	
Percentage Change	<u>(0.0000269%)</u>	<u>0.00036277%</u>	
Positive (Negative) Pension Expense	\$10,052	(\$5,574,124)	(\$5,564,072)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$161,475	\$568,436	\$729,911
Changes of assumptions	194,023	3,219,535	3,413,558
District contributions subsequent to the measurement date	287,240	1,013,919	1,301,159
Changes in proportionate share	197,613	363,189	560,802
Total Deferred Outflows of Resources	<u>\$840,351</u>	<u>\$5,165,079</u>	<u>\$6,005,430</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$118,642	\$118,642
Net difference between projected and actual earnings on pension plan investments	17,809	485,793	503,602
Total Deferred Inflows of Resources	<u>\$17,809</u>	<u>\$604,435</u>	<u>\$622,244</u>

\$1,301,159 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$298,785	\$789,479	\$1,088,264
2020	267,559	1,450,329	1,717,888
2021	56,426	1,028,469	1,084,895
2022	(87,468)	278,448	190,980
Total	<u>\$535,302</u>	<u>\$3,546,725</u>	<u>\$4,082,027</u>

HEATH CITY SCHOOL DISTRICT

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions

School Employees Retirement System (SERS)

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

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

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

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

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

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. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

HEATH CITY SCHOOL DISTRICT

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$5,206,917	\$3,752,084	\$2,533,364

HEATH CITY SCHOOL DISTRICT

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

State Teachers Retirement System (STRS)

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

Inflation	2.5 percent
Projected salary increases	2.5 percent at age 65 to 12.50 percent at age 20
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017
Payroll increases	3 percent

Mortality rates were 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.

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

10-Year 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

HEATH CITY SCHOOL DISTRICT

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$21,101,337	\$14,720,501	\$9,345,603

HEATH CITY SCHOOL DISTRICT

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS

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

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

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

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

B. Plan Description

School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage.

HEATH CITY SCHOOL DISTRICT

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Plan Description (Continued)

In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$48,108.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$45,529 for fiscal year 2018. Of this amount, \$35,323 is reported as an intergovernmental payable.

HEATH CITY SCHOOL DISTRICT

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Plan Description (Continued)

State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	\$1,693,613	\$2,417,741	\$4,111,354
Proportion of the Net OPEB Liability-2018	0.0631065%	0.06196745%	
Proportion of the Net OPEB Liability-2017	0.0630289%	0.06160468%	
Change in Proportionate Share	0.0000776%	0.00036277%	
Positive/(Negative) OPEB Expense	\$92,291	(\$718,364)	(\$626,073)

HEATH CITY SCHOOL DISTRICT

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At June 30, 2018, the 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	\$0	\$139,567	\$139,567
District contributions subsequent to the measurement date	<u>45,529</u>	<u>0</u>	<u>45,529</u>
Total Deferred Outflows of Resources	<u><u>\$45,529</u></u>	<u><u>\$139,567</u></u>	<u><u>\$185,096</u></u>
Deferred Inflows of Resources			
Changes of assumptions	\$160,715	\$194,756	\$355,471
Net difference between projected and actual earnings on OPEB plan investments	<u>4,473</u>	<u>103,340</u>	<u>107,813</u>
Total Deferred Inflows of Resources	<u><u>\$165,188</u></u>	<u><u>\$298,096</u></u>	<u><u>\$463,284</u></u>

\$45,529 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$59,348)	(\$35,034)	(\$94,382)
2020	(59,348)	(35,034)	(94,382)
2021	(45,373)	(35,034)	(80,407)
2022	(1,119)	(35,034)	(36,153)
2023	0	(9,199)	(9,199)
Thereafter	<u>0</u>	<u>(9,194)</u>	<u>(9,194)</u>
Total	<u><u>(\$165,188)</u></u>	<u><u>(\$158,529)</u></u>	<u><u>(\$323,717)</u></u>

HEATH CITY SCHOOL DISTRICT

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions

School Employees Retirement System (SERS)

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

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

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

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

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

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

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$2,045,253	\$1,693,613	\$1,415,024

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$1,374,240	\$1,693,613	\$2,116,308

HEATH CITY SCHOOL DISTRICT

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

State Teachers Retirement System (STRS)

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

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

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

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

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

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
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	<u>100.00 %</u>	

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

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

	<u>1% Decrease</u> <u>(3.13%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(4.13%)</u>	<u>1% Increase</u> <u>(5.13%)</u>
District's proportionate share of the Net OPEB liability	\$3,245,779	\$2,417,741	\$1,763,321

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$1,679,743	\$2,417,741	\$3,389,033

HEATH CITY SCHOOL DISTRICT

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

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

The original amounts of the General Obligation Bonds Payable used to finance the cost of various building renovations and the cost of building a new high school and other building additions were \$993,350 and \$16,247,718. The original amounts of the 2005 and 2006 refundings, \$9,999,987 and \$2,494,999, were used to refund the \$16,247,718 bond. The 2015 refunding of \$7,340,000 was used to partially refund the 2005 refunding.

Detail of the changes in the bonds, net pension liability, net OPEB liability, capital leases payable and compensated absences of the District for the year ended June 30, 2018 is as follows:

		Restated Balance June 30, 2017	Issued	Retired	Balance June 30, 2018	Due Within One Year
Governmental Activities:						
General Obligation Bonds Payable:						
School Improvement Bonds	6.38%	\$915,000	\$0	(\$5,000)	\$910,000	\$5,000
School Improvement Bonds-Refunding-2005	2.75-4.2%	719,987	0	0	719,987	264,940
School Improvement Bonds-Refunding-2006	3.6-4%	440,000	0	(440,000)	0	0
School Improvement Bonds-Refunding-2015	2-4%	7,115,000	0	(545,000)	6,570,000	60,000
Subtotal General Obligation Bonds Payable		9,189,987	0	(990,000)	8,199,987	329,940
Premium on Refunding Bonds		467,281	0	(63,917)	403,364	0
Interest Accretion		1,698,296	264,840	0	1,963,136	775,060
Total General Obligation Bonds Payable		11,355,564	264,840	(1,053,917)	10,566,487	1,105,000
Net Pension Liability:						
School Teachers Retirement System		20,620,943	0	(5,900,442)	14,720,501	0
School Employees Retirement System		4,598,254	0	(846,170)	3,752,084	0
Total Net Pension Liability		25,219,197	0	(6,746,612)	18,472,585	0
Net OPEB Liability:						
School Teachers Retirement System		3,294,634	0	(876,893)	2,417,741	0
School Employees Retirement System		1,796,557	0	(102,944)	1,693,613	0
Total Net OPEB Liability		5,091,191	0	(979,837)	4,111,354	0
Capital Leases		256,008	8,820	(73,627)	191,201	77,351
Compensated Absences		1,052,960	248,972	(171,342)	1,130,590	101,071
Total Governmental Activities		\$42,974,920	\$522,632	(\$9,025,335)	\$34,472,217	\$1,283,422

HEATH CITY SCHOOL DISTRICT

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

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2018, follows:

<u>Years</u>	<u>General Obligation Bonds Payable</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$329,940	\$1,043,338	\$77,351	\$8,385
2020	303,795	1,067,964	55,379	4,832
2021	281,252	1,093,989	58,471	1,739
2022	1,000,000	249,059	0	0
2023	1,135,000	209,453	0	0
2024-2028	<u>5,150,000</u>	<u>396,610</u>	<u>0</u>	<u>0</u>
Totals	<u>\$8,199,987</u>	<u>\$4,060,413</u>	<u>\$191,201</u>	<u>\$14,956</u>

NOTE 13 - CAPITALIZED LEASES

The District leases several copiers and a bus under capital leases. The cost of the equipment obtained under capital leases is \$334,346, which is included in the Governmental Activities Capital Assets and the related liability is included in the Governmental Activities Long-Term Liabilities.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2018:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2019	\$85,736
2020	60,211
2021	<u>60,210</u>
Minimum Lease Payments	206,157
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(14,956)</u>
Present Value of minimum lease payments	<u>\$191,201</u>

HEATH CITY SCHOOL DISTRICT

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

NOTE 14 - INTERFUND TRANSFERS

Following is a summary of transfers in and out for all funds for fiscal year 2018:

Fund	Transfers In	Transfers Out
General Fund	\$0	\$128,825
Bond Retirement Fund	128,825	0
Total All Funds	<u>\$128,825</u>	<u>\$128,825</u>

Transfers from the General Fund are to provide additional resources for debt service payments.

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. During fiscal year 2018 the District contracted with Wright Specialty Insurance for various insurance coverages, as follows:

Coverage	Deductible	Aggregate
	\$500/Comprehensive	
Fleet Insurance	\$500/Collision	\$1,000,000
Buildings and Contents	\$1,000	\$46,840,095
School District Liability	\$0	\$1,000,000
Employee Benefits Liability	\$1,000	\$1,000,000
School Leaders Errors and Omissions	\$2,500	\$1,000,000
Umbrella Policy	\$0	\$1,000,000
Crime	\$500	\$500,000
Inland Marine	\$500	\$100,000
Computers	\$500	\$100,000

There was a reduction in school district liability and employee benefit coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State, based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control and actuarial services to the GRP. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the

HEATH CITY SCHOOL DISTRICT

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

NOTE 15 - RISK MANAGEMENT (Continued)

President-elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The District provides life and vision benefits through commercial coverage. On July 1, 2013, the District began providing group health and dental care to employees and their eligible dependents through a self-insured program. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the self-insurance fund are available to pay claims. The plan is administered by a third party administrator, Anthem Blue Cross and Blue Shield., which monitors all claim payments. Excess loss coverage becomes effective after \$95,000 per year per specific claim. In addition, the plan maintained aggregate stop loss limits of \$1,000,000 for all claims. Amounts paid up to the \$95,000 specific claim stop loss are included on the aggregate stop loss, but amounts over the \$95,000 limit are not; since the plan is reimbursed by the specific stop loss policy.

On July 1, 2018, the District terminated the self-insured insurance program and began a “run out” period for claims incurred before 7/1/18 but not yet paid. Going forward the District joined the Ohio School Benefits Cooperative (Consortium) which administers a “fully-funded” health plan for its member school districts allowing a “pooling” of covered individuals and their claims but at substantially the same level of benefits as in prior years. Muskingum Valley ESC acts as the consortium’s fiscal agent and maintains the Consortium Fund. The Consortium contracts with a third party plan administrator that handles the plan’s claims and other administrative services (currently Medical Mutual of Ohio). The District maintained its relationship with Anthem Blue Cross and Blue Shield to provide vision and dental care insurance commercial coverage. The outstanding claims at June 30, 2018, for the health care self-insurance program amounted to \$231,816.

The claims liability reported in the fund at June 30, 2018 is based on the requirements of GASB Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund’s claims liability amount in 2018 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2017	\$289,000	\$1,781,277	(\$1,714,777)	\$355,500
2018	\$355,500	\$1,746,736	(\$1,870,420)	\$231,816

HEATH CITY SCHOOL DISTRICT

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

NOTE 16 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts for capital acquisition into a reserve. Reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2018, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Cash Balance as of June 30, 2017	\$0
Current Year Additions	306,689
Qualifying Offset	(213,663)
Current Year Disbursements	(255,343)
Totals	<u>(\$162,317)</u>
Balance Carried Forward to FY2019	<u>\$0</u>

The District had qualifying disbursements that reduced the set-aside amounts below zero for the Capital Acquisition Reserve; however, this amount may not be used to reduce the set-aside requirement for future years.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

Licking Area Computer Association - The District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of thirteen members made up of the thirteen district superintendents. The District paid LACA \$116,114 for services provided during the year. Financial information can be obtained from their fiscal agent, the Licking County Career and Technical Education Center, Ben Streby, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.

HEATH CITY SCHOOL DISTRICT

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. State Support Team Region 11

The District participates in the State Support Team (SST11) Region 11, a jointly governed organization consisting of educational entities within Delaware, Fairfield, Franklin, Licking, Madison, Pickaway, and Union counties. The purpose of the SST11 is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The SST11 is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the SST11, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Educational Service Center of Central Ohio, Citygate Business Park, 2080 Citygate Drive, Columbus, OH, 43219.

NOTE 18 – CONTINGENCIES

A. Grants

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

B. Litigation

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2018.

HEATH CITY SCHOOL DISTRICT

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

NOTE 18 – CONTINGENCIES (Continued)

C. Foundation Funding

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

NOTE 19 – OTHER COMMITMENTS

As of June 30, 2018, the District had the following commitment with respect to capital improvements:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>
High School Roof	\$209,865

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. Encumbrances outstanding at fiscal year-end were as follows:

Governmental Funds:	
General Fund	\$368,846
Other Governmental Funds	<u>39,148</u>
Total Governmental Funds	<u><u>\$407,994</u></u>

NOTE 20 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2018 of \$5,699 in the Title VI-B Fund, \$16,695 in the Title I Fund and \$2,832 in the Improving Teacher Quality Fund (special revenue funds) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.



HEATH CITY SCHOOL DISTRICT

***Required Supplemental Information
Schedule of District's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years***

State Teachers Retirement System

	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.05974744%	0.05974744%	0.06042891%
District's proportionate share of the net pension liability	\$17,311,192	\$14,532,645	\$16,700,783
District's covered payroll	\$6,661,546	\$6,196,446	\$6,143,793
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.87%	234.53%	271.83%
Plan fiduciary net position as a percentage of the total pension liability	69.30%	74.70%	72.10%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.052246%	0.052246%	0.06019250%
District's proportionate share of the net pension liability	\$3,106,902	\$2,644,140	\$3,434,642
District's covered payroll	\$1,929,429	\$1,526,782	\$1,760,425
District's proportionate share of the net pension liability as a percentage of its covered payroll	161.03%	173.18%	195.10%
Plan fiduciary net position as a percentage of the total pension liability	65.52%	71.70%	69.16%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.

Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

HEATH CITY SCHOOL DISTRICT

<u>2017</u>	<u>2018</u>
0.06160468%	0.06196745%
\$20,620,943	\$14,720,501
\$6,625,093	\$6,743,314
311.26%	218.30%
66.80%	75.30%

<u>2017</u>	<u>2018</u>
0.06282560%	0.06279870%
\$4,598,254	\$3,752,084
\$1,951,129	\$2,087,236
235.67%	179.76%
62.98%	69.50%

HEATH CITY SCHOOL DISTRICT

***Required Supplemental Information
Schedule of District's Pension Contributions
Last Ten Fiscal Years***

State Teachers Retirement System

Fiscal Year	2009	2010	2011	2012
Contractually required contribution	\$884,386	\$891,874	\$926,673	\$928,456
Contributions in relation to the contractually required contribution	884,386	891,874	926,673	928,456
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
District's covered payroll	\$6,802,969	\$6,860,569	\$7,128,254	\$7,141,969
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

Fiscal Year	2009	2010	2011	2012
Contractually required contribution	\$152,003	\$206,513	\$222,510	\$248,002
Contributions in relation to the contractually required contribution	152,003	206,513	222,510	248,002
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
District's covered payroll	\$1,544,746	\$1,525,207	\$1,770,167	\$1,843,881
Contributions as a percentage of covered payroll	9.84%	13.54%	12.57%	13.45%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.

See accompanying notes to the required supplementary information

HEATH CITY SCHOOL DISTRICT

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$866,001	\$805,538	\$860,131	\$927,513	\$944,064	\$1,013,919
<u>866,001</u>	<u>805,538</u>	<u>860,131</u>	<u>927,513</u>	<u>944,064</u>	<u>1,013,919</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,661,546	\$6,196,446	\$6,143,793	\$6,625,093	\$6,743,314	\$7,242,279
13.00%	13.00%	14.00%	14.00%	14.00%	14.00%

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$267,033	\$211,612	\$232,024	\$273,158	\$292,213	\$287,240
<u>267,033</u>	<u>211,612</u>	<u>232,024</u>	<u>273,158</u>	<u>292,213</u>	<u>287,240</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,929,429	\$1,526,782	\$1,760,425	\$1,951,129	\$2,087,236	\$2,127,704
13.84%	13.86%	13.18%	14.00%	14.00%	13.50%



HEATH CITY SCHOOL DISTRICT

Required Supplemental Information

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability

Last Two Fiscal Years

State Teachers Retirement System

Fiscal Year	2017	2018
District's proportion of the net OPEB liability	0.06160468%	0.06196745%
District's proportionate share of the net OPEB liability	\$3,294,634	\$2,417,741
District's covered payroll	\$6,625,093	\$6,743,314
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	49.73%	35.85%
Plan fiduciary net position as a percentage of the total OPEB liability	37.30%	47.10%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

Fiscal Year	2017	2018
District's proportion of the net OPEB liability	0.06302890%	0.06310650%
District's proportionate share of the net OPEB liability	\$1,796,557	\$1,693,613
District's covered payroll	\$1,951,129	\$2,087,236
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	92.08%	81.14%
Plan fiduciary net position as a percentage of the total OPEB liability	11.49%	12.46%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2017 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability, which is the prior year end.

See accompanying notes to the required supplementary information

HEATH CITY SCHOOL DISTRICT

***Required Supplemental Information
Schedule of District's Other Postemployment Benefit (OPEB) Contributions
Last Ten Fiscal Years***

State Teachers Retirement System

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Contractually required contribution	\$68,030	\$68,606	\$71,283	\$71,420
Contributions in relation to the contractually required contribution	<u>68,030</u>	<u>68,606</u>	<u>71,283</u>	<u>71,420</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's covered payroll	\$6,802,969	\$6,860,569	\$7,128,254	\$7,141,969
Contributions as a percentage of covered payroll	1.00%	1.00%	1.00%	1.00%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Contractually required contribution	\$92,938	\$37,171	\$47,326	\$32,543
Contributions in relation to the contractually required contribution	<u>92,938</u>	<u>37,171</u>	<u>47,326</u>	<u>32,543</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's covered payroll	\$1,544,746	\$1,525,207	\$1,770,167	\$1,843,881
Contributions as a percentage of covered payroll	6.02%	2.44%	2.67%	1.76%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 75 in 2018.

See accompanying notes to the required supplementary information

HEATH CITY SCHOOL DISTRICT

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$66,615	\$61,964	\$0	\$0	\$0	\$0
<u>66,615</u>	<u>61,964</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,661,546	\$6,196,446	\$6,143,793	\$6,625,093	\$6,743,314	\$7,242,279
1.00%	1.00%	0.00%	0.00%	0.00%	0.00%

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$28,773	\$27,849	\$45,014	\$29,156	\$31,528	\$45,529
<u>28,773</u>	<u>27,849</u>	<u>45,014</u>	<u>29,156</u>	<u>31,528</u>	<u>45,529</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,929,429	\$1,526,782	\$1,760,425	\$1,951,129	\$2,087,236	\$2,127,704
1.49%	1.82%	2.56%	1.49%	1.51%	2.14%

HEATH CITY SCHOOL DISTRICT

Notes to the Required Supplemental Information For the Fiscal Year Ended June 30, 2018

SERS

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rate, and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STRS

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2015 - 2017. Effective July 1, 2017, the COLA was reduced to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2015-2017. The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience. See the notes to the basic financials for the methods and assumptions in this calculation.

HEATH CITY SCHOOL DISTRICT

Notes to the Required Supplemental Information For the Fiscal Year Ended June 30, 2018

NET OPEB LIABILITY

SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

STRS

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

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.



HEATH CITY SCHOOL DISTRICT

***C*OMBINING AND *I*NDIVIDUAL *F*UND
*S*TATEMENTS AND *S*CHEDULES**

***T*HE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS.**

HEATH CITY SCHOOL DISTRICT

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Food Service Fund

To record financial transactions associated with food service operations.

Uniform School Supply Fund

To account for the purchase and sale of school supplies. Profits derived from sales must be used for school purposes or activities. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because this fund is reported as part of the General Fund on a GAAP basis.)

Rotary Fund

To account for operations that provide goods and services provided by the District. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because this fund is reported as part of the General Fund on a GAAP basis.)

Public School Support Fund

To account for specific local revenue sources, other than taxes that are restricted to expenditures for specified purposes, curricular and extracurricular, approved by board resolutions. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because this fund is reported as part of the General Fund on a GAAP basis.)

Other Grants Fund

To account for the proceeds of specific revenue sources, except for state and federal grants that are legally restricted to expenditures for specified purposes.

District Managed Student Activity Fund

To account for student activity programs which have student participation in the activity, but do not have student management of the programs. Typically this includes athletic programs, band, cheerleaders and other similar types of activities.

Management Information System Fund

To account for costs related to hardware and software development or other costs associated with the requirements of the management information system.

(Continued)

HEATH CITY SCHOOL DISTRICT

Special Revenue Funds

SchoolNet Professional Development Fund

To account for professional development subsidy grants.

Title VI-B Fund

To account for monies received through grants to assist in the identification of children with disabilities, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provision of full educational opportunities to children with disabilities at the preschool, elementary and secondary levels.

Title I Fund

To account for federal revenues received to meet the special needs of educationally deprived children.

Improving Teacher Quality Fund

To account for federal monies received which are used to hire additional classroom teachers in grades 1 through 3, so that the number of students per teacher will be reduced.

Other Federal Grants Fund

To account for monies from Federal agencies which are not classified elsewhere. (The Balance Sheet is not presented because there are no assets or liabilities at fiscal year-end.)

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Permanent Improvement Fund

To account for financial resources to be used for the acquisition of major capital assets.

Building Fund

To account for the acquisition, construction and improvement of capital facilities as authorized by Chapter 5705 of the Ohio Revised Code.

HEATH CITY SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 162,719	\$ 607,234	\$ 769,953
Receivables:			
Taxes	0	197,189	197,189
Intergovernmental	93,058	0	93,058
Inventory	7,283	0	7,283
Prepaid Items	0	42,566	42,566
Total Assets	<u>\$ 263,060</u>	<u>\$ 846,989</u>	<u>\$ 1,110,049</u>
Liabilities:			
Accounts Payable	\$ 9,103	\$ 754	\$ 9,857
Accrued Wages and Benefits	115,104	0	115,104
Intergovernmental Payable	16,808	0	16,808
Interfund Loans Payable	5,000	0	5,000
Total Liabilities	<u>146,015</u>	<u>754</u>	<u>146,769</u>
Deferred Inflows of Resources:			
Property Taxes	0	166,872	166,872
Unavailable Revenue	39,703	2,727	42,430
Total Deferred Inflows of Resources	<u>39,703</u>	<u>169,599</u>	<u>209,302</u>
Fund Balances:			
Nonspendable	7,283	42,566	49,849
Restricted	95,285	634,070	729,355
Unassigned	(25,226)	0	(25,226)
Total Fund Balances	<u>77,342</u>	<u>676,636</u>	<u>753,978</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 263,060</u>	<u>\$ 846,989</u>	<u>\$ 1,110,049</u>

HEATH CITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2018

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Local Sources:			
Taxes	\$ 0	\$ 211,736	\$ 211,736
Food Services	264,402	0	264,402
Investment Earnings	1,038	25,968	27,006
Extracurricular Activities	134,362	0	134,362
Intergovernmental - State	10,453	17,397	27,850
Intergovernmental - Federal	1,134,337	0	1,134,337
All Other Revenue	31,089	978	32,067
Total Revenue	1,575,681	256,079	1,831,760
Expenditures:			
Current:			
Instruction	484,051	162,543	646,594
Supporting Services:			
Pupils	28,630	0	28,630
Instructional Staff	50,984	0	50,984
Administration	129,045	0	129,045
Fiscal Services	0	3,045	3,045
Operation of Non-Instructional Services:			
Food Service Operations	708,771	0	708,771
Extracurricular Activities	180,979	0	180,979
Total Expenditures	1,582,460	165,588	1,748,048
Excess (Deficiency) of Revenues Over Expenditures	(6,779)	90,491	83,712
Fund Balances at Beginning of Year	81,801	586,145	667,946
Increase in Inventory	2,320	0	2,320
Fund Balances End of Year	\$ 77,342	\$ 676,636	\$ 753,978

HEATH CITY SCHOOL DISTRICT

***Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018***

	Food Service	Other Grants	District Managed Student Activity	Management Information System
Assets:				
Cash and Cash Equivalents	\$ 78,156	\$ 1,358	\$ 51,453	\$ 5,601
Receivables:				
Intergovernmental	0	0	0	0
Inventory	7,283	0	0	0
Total Assets	<u>\$ 85,439</u>	<u>\$ 1,358</u>	<u>\$ 51,453</u>	<u>\$ 5,601</u>
Liabilities:				
Accounts Payable	\$ 196	\$ 0	\$ 825	\$ 0
Accrued Wages and Benefits	47,491	0	0	0
Intergovernmental Payable	7,171	0	0	0
Interfund Loans Payable	0	0	0	0
Total Liabilities	<u>54,858</u>	<u>0</u>	<u>825</u>	<u>0</u>
Deferred Inflows of Resources:				
Unavailable Revenue	0	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:				
Nonspendable	7,283	0	0	0
Restricted	23,298	1,358	50,628	5,601
Unassigned	0	0	0	0
Total Fund Balances (Deficit)	<u>30,581</u>	<u>1,358</u>	<u>50,628</u>	<u>5,601</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 85,439</u>	<u>\$ 1,358</u>	<u>\$ 51,453</u>	<u>\$ 5,601</u>

HEATH CITY SCHOOL DISTRICT

SchoolNet Professional Development	Title VI-B	Title I	Improving Teacher Quality	Total Nonmajor Special Revenue Funds
\$ 14,400	\$ 2,477	\$ 9,274	\$ 0	\$ 162,719
0	53,729	39,329	0	93,058
0	0	0	0	7,283
<u>\$ 14,400</u>	<u>\$ 56,206</u>	<u>\$ 48,603</u>	<u>\$ 0</u>	<u>\$ 263,060</u>
\$ 0	\$ 0	\$ 5,250	\$ 2,832	\$ 9,103
0	29,993	37,620	0	115,104
0	5,210	4,427	0	16,808
0	5,000	0	0	5,000
<u>0</u>	<u>40,203</u>	<u>47,297</u>	<u>2,832</u>	<u>146,015</u>
0	21,702	18,001	0	39,703
<u>0</u>	<u>21,702</u>	<u>18,001</u>	<u>0</u>	<u>39,703</u>
0	0	0	0	7,283
14,400	0	0	0	95,285
0	(5,699)	(16,695)	(2,832)	(25,226)
<u>14,400</u>	<u>(5,699)</u>	<u>(16,695)</u>	<u>(2,832)</u>	<u>77,342</u>
<u>\$ 14,400</u>	<u>\$ 56,206</u>	<u>\$ 48,603</u>	<u>\$ 0</u>	<u>\$ 263,060</u>

HEATH CITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Fiscal Year Ended June 30, 2018

	Food Service	Other Grants	District Managed Student Activity	Management Information System
Revenues:				
Local Sources:				
Food Services	\$ 264,402	\$ 0	\$ 0	\$ 0
Investment Earnings	724	0	314	0
Extracurricular Activities	0	0	134,362	0
Intergovernmental - State	3,253	0	0	0
Intergovernmental - Federal	413,051	0	0	0
All Other Revenue	417	0	30,672	0
Total Revenue	681,847	0	165,348	0
Expenditures:				
Current:				
Instruction	0	0	0	0
Supporting Services:				
Pupils	0	0	0	0
Instructional Staff	0	0	0	0
Administration	0	0	0	0
Operation of Non-Instructional Services:				
Food Service Operations	708,771	0	0	0
Extracurricular Activities	0	0	180,979	0
Total Expenditures	708,771	0	180,979	0
Excess (Deficiency) of Revenues Over Expenditures	(26,924)	0	(15,631)	0
Fund Balances (Deficits) at Beginning of Year	55,185	1,358	66,259	5,601
Increase in Inventory	2,320	0	0	0
Fund Balances (Deficits) End of Year	\$ 30,581	\$ 1,358	\$ 50,628	\$ 5,601

HEATH CITY SCHOOL DISTRICT

SchoolNet Professional Development	Title VI-B	Title I	Improving Teacher Quality	Other Federal Grants	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 264,402
0	0	0	0	0	1,038
0	0	0	0	0	134,362
7,200	0	0	0	0	10,453
0	332,344	319,085	59,857	10,000	1,134,337
0	0	0	0	0	31,089
<u>7,200</u>	<u>332,344</u>	<u>319,085</u>	<u>59,857</u>	<u>10,000</u>	<u>1,575,681</u>
0	197,849	274,662	11,540	0	484,051
0	0	18,630	0	10,000	28,630
0	0	0	50,984	0	50,984
0	115,990	13,055	0	0	129,045
0	0	0	0	0	708,771
0	0	0	0	0	180,979
<u>0</u>	<u>313,839</u>	<u>306,347</u>	<u>62,524</u>	<u>10,000</u>	<u>1,582,460</u>
7,200	18,505	12,738	(2,667)	0	(6,779)
7,200	(24,204)	(29,433)	(165)	0	81,801
0	0	0	0	0	2,320
<u>\$ 14,400</u>	<u>\$ (5,699)</u>	<u>\$ (16,695)</u>	<u>\$ (2,832)</u>	<u>\$ 0</u>	<u>\$ 77,342</u>

HEATH CITY SCHOOL DISTRICT

***Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2018***

	Permanent Improvement	Building	Total Nonmajor Capital Projects Funds
Assets:			
Cash and Cash Equivalents	\$ 596,751	\$ 10,483	\$ 607,234
Receivables:			
Taxes	197,189	0	197,189
Prepaid Items	42,566	0	42,566
Total Assets	<u><u>\$ 836,506</u></u>	<u><u>\$ 10,483</u></u>	<u><u>\$ 846,989</u></u>
Liabilities:			
Accounts Payable	\$ 754	\$ 0	\$ 754
Total Liabilities	<u>754</u>	<u>0</u>	<u>754</u>
Deferred Inflows of Resources:			
Property Taxes	166,872	0	166,872
Unavailable Revenue	2,727	0	2,727
Total Deferred Inflows of Resources	<u>169,599</u>	<u>0</u>	<u>169,599</u>
Fund Balances:			
Nonspendable	42,566	0	42,566
Restricted	623,587	10,483	634,070
Total Fund Balances	<u>666,153</u>	<u>10,483</u>	<u>676,636</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 836,506</u></u>	<u><u>\$ 10,483</u></u>	<u><u>\$ 846,989</u></u>

HEATH CITY SCHOOL DISTRICT

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2018***

	Permanent Improvement	Building	Total Nonmajor Capital Projects Funds
Revenues:			
Local Sources:			
Taxes	\$ 211,736	\$ 0	\$ 211,736
Investment Earnings	20,101	5,867	25,968
Intergovernmental - State	17,397	0	17,397
All Other Revenue	978	0	978
Total Revenue	<u>250,212</u>	<u>5,867</u>	<u>256,079</u>
Expenditures:			
Current:			
Instruction	162,543	0	162,543
Supporting Services:			
Fiscal Services	3,045	0	3,045
Total Expenditures	<u>165,588</u>	<u>0</u>	<u>165,588</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	84,624	5,867	90,491
Fund Balances at Beginning of Year	<u>581,529</u>	<u>4,616</u>	<u>586,145</u>
Fund Balances End of Year	<u><u>\$ 666,153</u></u>	<u><u>\$ 10,483</u></u>	<u><u>\$ 676,636</u></u>

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Debt Service Fund – Bond Retirement Fund
For the Fiscal Year Ended June 30, 2018***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,232,652	\$ 1,232,652	\$ 0
Intergovernmental - State	224,455	224,455	0
Total Revenues	1,457,107	1,457,107	0
Expenditures:			
Current:			
Support Services:			
Fiscal Services	21,000	19,222	1,778
Total Support Services	21,000	19,222	1,778
Debt Service:			
Principal Retirement	1,014,296	1,014,296	0
Interest and Fiscal Charges	286,730	284,677	2,053
Total Debt Service	1,301,026	1,298,973	2,053
Total Expenditures	1,322,026	1,318,195	3,831
Excess (Deficiency) of Revenues Over (Under) Expenditures	135,081	138,912	3,831
Other Financing Sources (Uses):			
Transfers In	129,526	128,825	(701)
Total Other Financing Sources (Uses)	129,526	128,825	(701)
Net Change in Fund Balance	264,607	267,737	3,130
Fund Balance at Beginning of Year	934,072	934,072	0
Fund Balance at End of Year	\$ 1,198,679	\$ 1,201,809	\$ 3,130

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

FOOD SERVICE FUND			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Food Services	\$ 265,000	\$ 264,402	\$ (598)
Investment Earnings	530	724	194
Intergovernmental - State	3,300	3,253	(47)
Intergovernmental - Federal	370,300	373,620	3,320
All Other Revenues	<u>800</u>	<u>417</u>	<u>(383)</u>
Total Revenues	<u>639,930</u>	<u>642,416</u>	<u>2,486</u>
Expenditures:			
Non-Instructional Services:			
Food Service Operations	<u>672,959</u>	<u>657,715</u>	<u>15,244</u>
Total Expenditures	<u>672,959</u>	<u>657,715</u>	<u>15,244</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,029)	(15,299)	17,730
Fund Balance at Beginning of Year	<u>93,030</u>	<u>93,030</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 60,001</u>	<u>\$ 77,731</u>	<u>\$ 17,730</u>

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

UNIFORM SCHOOL SUPPLY FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Class Material and Fees	\$ 61,030	\$ 56,357	\$ (4,673)
Total Revenues	61,030	56,357	(4,673)
Expenditures:			
Instructional Services	118,603	117,603	1,000
Total Expenditures	118,603	117,603	1,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(57,573)	(61,246)	(3,673)
Other Financing Sources (Uses):			
Transfers In	172,518	49,454	(123,064)
Transfers Out	(70,861)	0	70,861
Total Other Financing Sources (Uses):	101,657	49,454	(52,203)
Net Change in Fund Balance	44,084	(11,792)	(55,876)
Fund Balance at Beginning of Year	80,094	80,094	0
Prior Year Encumbrances	681	681	0
Fund Balance at End of Year	<u>\$ 124,859</u>	<u>\$ 68,983</u>	<u>\$ (55,876)</u>

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

ROTARY FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 25	\$ 50	\$ 25
All Other Revenues	7,905	7,690	(215)
Total Revenues	7,930	7,740	(190)
Expenditures:			
Instructional Services	4,550	4,375	175
Total Expenditures	4,550	4,375	175
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,380	3,365	(15)
Other Financing Sources (Uses):			
Transfers Out	(6,919)	(6,919)	0
Total Other Financing Sources (Uses):	(6,919)	(6,919)	0
Net Change in Fund Balance	(3,539)	(3,554)	(15)
Fund Balance at Beginning of Year	14,112	14,112	0
Fund Balance at End of Year	\$ 10,573	\$ 10,558	\$ (15)

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

PUBLIC SCHOOL SUPPORT FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 124,490	\$ 128,251	\$ 3,761
Total Revenues	<u>124,490</u>	<u>128,251</u>	<u>3,761</u>
Expenditures:			
Instructional Services	12,000	6,818	5,182
Support Services:			
Pupils	120,835	99,302	21,533
Instructional Staff	16,000	14,943	1,057
Administration	77	77	0
Operation and Maintenance of Plant	4,050	0	4,050
Central	3,050	1,726	1,324
Extracurricular	<u>500</u>	<u>163</u>	<u>337</u>
Total Expenditures	<u>156,512</u>	<u>123,029</u>	<u>33,483</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(32,022)	5,222	37,244
Other Financing Sources (Uses):			
Transfers In	<u>7,000</u>	<u>6,919</u>	<u>(81)</u>
Total Other Financing Sources (Uses):	<u>7,000</u>	<u>6,919</u>	<u>(81)</u>
Net Change in Fund Balance	(25,022)	12,141	37,163
Fund Balance at Beginning of Year	166,558	166,558	0
Prior Year Encumbrances	<u>150</u>	<u>150</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 141,686</u>	<u>\$ 178,849</u>	<u>\$ 37,163</u>

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

OTHER GRANTS FUND			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Total Expenditures	<u> 0</u>	<u> 0</u>	<u> 0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u> 0</u>	<u> 0</u>	<u> 0</u>
Fund Balance at Beginning of Year	<u> 1,358</u>	<u> 1,358</u>	<u> 0</u>
Fund Balance at End of Year	<u><u>\$ 1,358</u></u>	<u><u>\$ 1,358</u></u>	<u><u>\$ 0</u></u>

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

DISTRICT MANAGED STUDENT ACTIVITY FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 200	\$ 314	\$ 114
Extracurricular Activities	137,236	134,362	(2,874)
All Other Revenues	27,548	30,672	3,124
Total Revenues	164,984	165,348	364
Expenditures:			
Extracurricular Activities	206,151	182,980	23,171
Total Expenditures	206,151	182,980	23,171
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,167)	(17,632)	23,535
Fund Balance at Beginning of Year	67,932	67,932	0
Prior Year Encumbrances	1,153	1,153	0
Fund Balance at End of Year	\$ 27,918	\$ 51,453	\$ 23,535

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

MANAGEMENT INFORMATION SYSTEM FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	5,601	5,601	0
Fund Balance at End of Year	<u>\$ 5,601</u>	<u>\$ 5,601</u>	<u>\$ 0</u>

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

SCHOOLNET PROFESSIONAL DEVELOPMENT FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental - State	\$ 7,200	\$ 7,200	\$ 0
Total Revenues	<u>7,200</u>	<u>7,200</u>	<u>0</u>
Expenditures:			
Support Services:			
Central	<u>7,200</u>	<u>0</u>	<u>7,200</u>
Total Expenditures	<u>7,200</u>	<u>0</u>	<u>7,200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	7,200	7,200
Fund Balance at Beginning of Year	<u>7,200</u>	<u>7,200</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 7,200</u></u>	<u><u>\$ 14,400</u></u>	<u><u>\$ 7,200</u></u>

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

TITLE VI-B FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental - Federal	\$ 370,757	\$ 370,757	\$ 0
Total Revenues	<u>370,757</u>	<u>370,757</u>	<u>0</u>
Expenditures:			
Instructional Services	183,742	183,742	0
Support Services:			
Instructional Staff:	1,828	1,828	0
Administration	<u>119,098</u>	<u>119,098</u>	<u>0</u>
Total Expenditures	<u>304,668</u>	<u>304,668</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,089	66,089	0
Other Financing Sources (Uses):			
Advances In	5,000	5,000	0
Advances Out	<u>(71,000)</u>	<u>(71,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(66,000)</u>	<u>(66,000)</u>	<u>0</u>
Net Change in Fund Balance	89	89	0
Fund Balance at Beginning of Year	<u>560</u>	<u>560</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 649</u>	<u>\$ 649</u>	<u>\$ 0</u>

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

TITLE I FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental - Federal	\$ 392,206	\$ 392,206	\$ 0
Total Revenues	392,206	392,206	0
Expenditures:			
Instructional Services	261,984	261,929	55
Support Services:			
Pupils	18,630	18,630	0
Administration	13,174	13,174	0
Total Expenditures	293,788	293,733	55
Excess (Deficiency) of Revenues Over (Under) Expenditures	98,418	98,473	55
Other Financing Sources (Uses):			
Advances Out	(95,000)	(95,000)	0
Total Other Financing Sources (Uses):	(95,000)	(95,000)	0
Net Change in Fund Balance	3,418	3,473	55
Fund Balance at Beginning of Year	551	551	0
Fund Balance at End of Year	\$ 3,969	\$ 4,024	\$ 55

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

IMPROVING TEACHER QUALITY FUND			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental - Federal	\$ 66,277	\$ 66,277	\$ 0
Total Revenues	<u>66,277</u>	<u>66,277</u>	<u>0</u>
Expenditures:			
Instructional Services	11,540	11,540	0
Support Services:			
Instructional Staff	<u>48,317</u>	<u>48,317</u>	<u>0</u>
Total Expenditures	<u>59,857</u>	<u>59,857</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,420	6,420	0
Other Financing Sources (Uses):			
Advances Out	<u>(7,000)</u>	<u>(7,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(7,000)</u>	<u>(7,000)</u>	<u>0</u>
Net Change in Fund Balance	(580)	(580)	0
Fund Balance at Beginning of Year	<u>580</u>	<u>580</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2018***

OTHER FEDERAL GRANTS FUND			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental - Federal	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 0</u>
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Expenditures:			
Support Services:			
Pupils	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2018***

PERMANENT IMPROVEMENT FUND			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Local Sources:			
Taxes	\$ 196,266	\$ 196,266	\$ 0
Investment Earnings	18,700	20,101	1,401
Intergovernmental - State	17,397	17,397	0
All Other Revenues	<u>0</u>	<u>978</u>	<u>978</u>
Total Revenues	<u>232,363</u>	<u>234,742</u>	<u>2,379</u>
Expenditures:			
Instructional Services	221,278	208,294	12,984
Support Services:			
Fiscal Services	3,300	3,045	255
Capital Outlay	<u>15,620</u>	<u>0</u>	<u>15,620</u>
Total Expenditures	<u>240,198</u>	<u>211,339</u>	<u>28,859</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,835)	23,403	31,238
Fund Balance at Beginning of Year	526,212	526,212	0
Prior Year Encumbrances	<u>15,600</u>	<u>15,600</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 533,977</u>	<u>\$ 565,215</u>	<u>\$ 31,238</u>

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2018***

BUILDING FUND			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment Earnings	\$ 5,280	\$ 5,867	\$ 587
Total Revenues	<u>5,280</u>	<u>5,867</u>	<u>587</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,280	5,867	587
Fund Balance at Beginning of Year	<u>4,616</u>	<u>4,616</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 9,896</u>	<u>\$ 10,483</u>	<u>\$ 587</u>

HEATH CITY SCHOOL DISTRICT

Fiduciary Fund

Fiduciary fund types are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency Fund

Student Managed Activity Fund

To account for resources that belong to the student bodies of the various schools for sales and other revenue generating activities.

Ohio High School Athletic Association (OHSAA) Tournament Fund

To account for athletic tournament monies held by the District in a custodial capacity.

HEATH CITY SCHOOL DISTRICT

Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>Student Managed Activity Fund</u>				
Assets:				
Cash and Cash Equivalents	\$34,797	\$77,554	(\$69,730)	\$42,621
Total Assets	<u>\$34,797</u>	<u>\$77,554</u>	<u>(\$69,730)</u>	<u>\$42,621</u>
Liabilities:				
Due to Students	\$34,797	\$77,554	(\$69,730)	\$42,621
Total Liabilities	<u>\$34,797</u>	<u>\$77,554</u>	<u>(\$69,730)</u>	<u>\$42,621</u>
<u>OHSAA Tournament Fund</u>				
Assets:				
Cash and Cash Equivalents	\$21,631	\$25,447	(\$17,311)	\$29,767
Total Assets	<u>\$21,631</u>	<u>\$25,447</u>	<u>(\$17,311)</u>	<u>\$29,767</u>
Liabilities:				
Due to Others	\$21,631	\$25,447	(\$17,311)	\$29,767
Total Liabilities	<u>\$21,631</u>	<u>\$25,447</u>	<u>(\$17,311)</u>	<u>\$29,767</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$56,428	\$103,001	(\$87,041)	\$72,388
Total Assets	<u>\$56,428</u>	<u>\$103,001</u>	<u>(\$87,041)</u>	<u>\$72,388</u>
Liabilities:				
Due to Others	\$21,631	\$25,447	(\$17,311)	\$29,767
Due to Students	34,797	77,554	(69,730)	42,621
Total Liabilities	<u>\$56,428</u>	<u>\$103,001</u>	<u>(\$87,041)</u>	<u>\$72,388</u>

STATISTICAL SECTION



HEATH CITY SCHOOL DISTRICT

STATISTICAL TABLES

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends	S 2 – S 13
These schedules contain trend information to help the reader understand how the District's financial position has changed over time.	
Revenue Capacity	S 14 – S 21
These schedules contain information to help the reader understand and assess the factors affecting the District's ability to generate its most significant local revenue sources, property taxes.	
Debt Capacity	S 22 – S 29
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Economic and Demographic Information	S 30 – S 33
These schedules offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 34 – S 45
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	
Sources Note:	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

Heath City School District

*Net Position by Component
Last Ten Years
(accrual basis of accounting)*

	2009	2010	2011	2012
Governmental Activities:	*			
Net Investment in Capital Assets	\$2,811,504	\$2,693,125	\$2,630,860	\$2,239,306
Restricted for:				
Capital Projects	800,073	829,813	719,231	738,118
Debt Service	855,590	1,072,423	1,054,061	1,128,253
Statutory Purposes	0	0	0	140,760
Federal and State Grant Programs	0	0	0	36,153
Other Purposes	1,006,293	815,061	1,235,344	0
Unrestricted	(206,364)	(246,538)	(1,193,673)	(1,279,996)
Total Governmental Activities Net Position	<u>\$5,267,096</u>	<u>\$5,163,884</u>	<u>\$4,445,823</u>	<u>\$3,002,594</u>
Primary Government:				
Net Investment in Capital Assets	\$2,811,504	\$2,693,125	\$2,630,860	\$2,239,306
Restricted	2,661,956	2,717,297	3,008,636	2,043,284
Unrestricted	(206,364)	(246,538)	(1,193,673)	(1,279,996)
Total Primary Government Net Position	<u>\$5,267,096</u>	<u>\$5,163,884</u>	<u>\$4,445,823</u>	<u>\$3,002,594</u>

* Restated

Source: District Treasurer's Office

Heath City School District

2013	2014	2015	2016	2017	2018
	*				
\$1,569,237	\$1,007,118	\$668,117	\$1,387,709	\$1,638,635	\$2,116,344
692,224	653,740	661,314	560,592	589,014	679,363
1,042,315	1,038,847	1,063,596	1,237,784	998,467	1,395,292
61,909	108,722	81,520	81,982	95,543	56,396
33,557	54,850	46,561	77,319	48,913	35,836
0	0	0	0	0	0
(2,343,361)	(20,546,771)	(18,183,979)	(17,112,694)	(15,882,064)	(11,282,637)
<u>\$1,055,881</u>	<u>(\$17,683,494)</u>	<u>(\$15,662,871)</u>	<u>(\$13,767,308)</u>	<u>(\$12,511,492)</u>	<u>(\$6,999,406)</u>
\$1,569,237	\$1,007,118	\$668,117	\$1,387,709	\$1,638,635	\$2,116,344
1,830,005	1,856,159	1,852,991	1,957,677	1,731,937	2,166,887
(2,343,361)	(20,546,771)	(18,183,979)	(17,112,694)	(15,882,064)	(11,282,637)
<u>\$1,055,881</u>	<u>(\$17,683,494)</u>	<u>(\$15,662,871)</u>	<u>(\$13,767,308)</u>	<u>(\$12,511,492)</u>	<u>(\$6,999,406)</u>

Heath City School District

Changes in Net Position Last Ten Years (accrual basis of accounting)

	2009	2010	2011	2012
Expenses				
Governmental Activities:				
Instruction	\$9,646,810	\$10,537,518	\$10,300,203	\$9,989,037
Support Services:				
Pupils	865,694	1,030,058	935,407	805,150
Instructional Staff	350,010	374,083	384,329	344,754
Board of Education	12,061	11,787	16,901	20,516
Administration	1,333,496	1,450,432	1,452,788	1,618,593
Fiscal Services	514,732	504,185	499,038	492,224
Business	41,636	34,831	34,834	17,713
Operation and Maintenance of Plant	1,317,583	1,236,884	1,230,337	1,306,882
Pupil Transportation	589,078	631,971	642,930	638,839
Central	243,900	291,401	319,121	280,810
Operation of Non-Instructional Services				
Community Services	5,125	10,722	6,758	6,117
Food Service Operations	592,736	629,322	597,437	616,504
Shared Services	0	0	0	0
Other	0	0	0	1,900
Extracurricular Activities	728,693	713,070	688,364	574,354
Interest and Fiscal Charges	963,173	985,299	1,012,984	1,024,811
<i>Total Primary Government Expenses</i>	<u>\$17,204,727</u>	<u>\$18,441,563</u>	<u>\$18,121,431</u>	<u>\$17,738,204</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
Instruction	\$186,639	\$158,698	\$161,632	\$137,166
Support Services:				
Pupils	3,856	59,040	47,311	45,392
Operation of Non-Instructional Services				
Food Service Operations	298,338	256,785	243,667	241,808
Extracurricular Activities	104,348	109,350	115,755	87,820
Operating Grants and Contributions	922,259	1,564,636	1,688,192	838,086
Capital Grants and Contributions	12,068	0	0	0
<i>Total Governmental Activities</i>				
<i>Program Revenues</i>	<u>1,527,508</u>	<u>2,148,509</u>	<u>2,256,557</u>	<u>1,350,272</u>

Heath City School District

2013	2014	2015	2016	2017	2018
\$10,304,880	\$10,096,148	\$10,513,018	\$11,220,535	\$11,477,367	\$5,716,009
632,193	621,994	583,590	640,770	705,634	522,576
318,009	264,908	324,069	325,261	381,955	486,743
79,588	80,043	49,101	248,574	329,525	63,368
1,468,112	1,518,459	1,523,311	1,748,840	1,673,351	1,094,581
506,287	528,591	578,977	466,731	636,550	605,510
29,284	14,330	20,438	28,922	13,562	17,892
1,351,000	1,330,607	1,507,678	1,909,197	1,838,229	1,598,068
654,334	637,015	592,204	643,460	654,868	628,413
275,932	308,948	451,684	347,036	403,385	240,897
1,776	4,410	1,994	4,416	0	0
616,807	567,567	596,853	653,795	727,620	724,156
0	17,994	54,691	0	0	0
0	0	0	0	0	0
601,322	593,994	618,078	616,176	793,082	424,403
1,117,528	891,757	657,894	544,983	474,616	464,897
<u>\$17,957,052</u>	<u>\$17,476,765</u>	<u>\$18,073,580</u>	<u>\$19,398,696</u>	<u>\$20,109,744</u>	<u>\$12,587,513</u>
\$156,220	\$600,894	\$948,735	\$1,037,209	\$1,219,571	\$1,484,917
41,000	43,788	60,609	55,620	60,990	51,269
220,566	186,257	152,316	198,299	235,209	264,402
102,999	134,064	124,900	130,864	148,799	134,362
895,828	1,026,547	1,087,236	1,123,022	1,229,537	1,185,904
0	0	0	0	0	0
<u>1,416,613</u>	<u>1,991,550</u>	<u>2,373,796</u>	<u>2,545,014</u>	<u>2,894,106</u>	<u>3,120,854</u>

(Continued)

Heath City School District

Changes in Net Position Last Ten Years (accrual basis of accounting)

	2009	2010	2011	2012
Net (Expense)/Revenue	*			
Governmental Activities	(15,677,219)	(16,293,054)	(15,864,874)	(16,387,932)
<i>Total Primary Government</i>				
<i>Net (Expense)/Revenue</i>	(15,677,219)	(16,293,054)	(15,864,874)	(16,387,932)
 General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes Levied for:				
General Purposes	\$7,530,679	\$7,924,272	\$6,934,888	\$6,981,958
Debt Service	1,234,411	1,332,583	1,090,509	1,161,817
Capital Outlay	198,766	207,989	196,460	172,436
Grants and Entitlements not				
Restricted to Specific Programs	6,331,894	6,198,597	6,391,572	6,098,286
Investment Earnings	84,071	19,132	11,449	9,489
Miscellaneous	522,498	507,269	521,935	520,717
<i>Total Primary Government</i>	\$15,902,319	\$16,189,842	\$15,146,813	\$14,944,703
 Change in Net Position				
Governmental Activities	225,100	(103,212)	(718,061)	(1,443,229)
<i>Total Primary Government</i>				
<i>Change in Net Position</i>	\$225,100	(\$103,212)	(\$718,061)	(\$1,443,229)

* Restated

Source: District Treasurer's Office

Heath City School District

2013	2014	2015	2016	2017	2018
<u>(16,540,439)</u>	<u>(15,485,215)</u>	<u>(15,699,784)</u>	<u>(16,853,682)</u>	<u>(17,215,638)</u>	<u>(9,466,659)</u>
<u>(\$16,540,439)</u>	<u>(\$15,485,215)</u>	<u>(\$15,699,784)</u>	<u>(\$16,853,682)</u>	<u>(\$17,215,638)</u>	<u>(\$9,466,659)</u>
\$6,623,175	\$7,854,925	\$8,621,606	\$9,279,815	\$9,239,268	\$10,485,484
1,095,634	1,171,836	1,290,787	1,343,433	1,150,316	1,359,339
177,920	186,087	187,583	196,007	192,177	211,594
6,145,307	6,383,632	7,086,554	7,371,309	7,435,029	7,643,707
7,825	6,886	10,716	29,265	65,859	119,740
543,865	543,418	523,161	529,416	388,805	220,025
<u>\$14,593,726</u>	<u>\$16,146,784</u>	<u>\$17,720,407</u>	<u>\$18,749,245</u>	<u>\$18,471,454</u>	<u>\$20,039,889</u>
<u>(1,946,713)</u>	<u>661,569</u>	<u>2,020,623</u>	<u>1,895,563</u>	<u>1,255,816</u>	<u>10,573,230</u>
<u>(\$1,946,713)</u>	<u>\$661,569</u>	<u>\$2,020,623</u>	<u>\$1,895,563</u>	<u>\$1,255,816</u>	<u>\$10,573,230</u>

Heath City School District

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2009	2010	2011	2012
General Fund	*			
Nonspendable	\$0	\$0	\$183,217	\$171,764
Restricted	0	0	1,071,779	86,144
Assigned	0	0	240,210	143,303
Unassigned	0	0	1,177,178	1,167,714
Reserved	1,561,877	2,270,930	0	0
Unreserved	936,787	79,028	0	0
<i>Total General Fund</i>	<u>2,498,664</u>	<u>2,349,958</u>	<u>2,672,384</u>	<u>1,568,925</u>
All Other Governmental Funds				
Nonspendable	0	0	30,011	27,854
Restricted	0	0	1,833,419	1,893,664
Unassigned	0	0	0	(21,255)
Reserved	961,056	1,342,239	0	0
Unreserved, Undesignated in:				
Special Revenue Funds	272,882	455,673	0	0
Capital Projects Funds	733,249	582,640	0	0
<i>Total All Other Governmental Funds</i>	<u>1,967,187</u>	<u>2,380,552</u>	<u>1,863,430</u>	<u>1,900,263</u>
<i>Total Governmental Funds</i>	<u><u>\$4,465,851</u></u>	<u><u>\$4,730,510</u></u>	<u><u>\$4,535,814</u></u>	<u><u>\$3,469,188</u></u>

* Restated

Source: District Treasurer's Office

Note: The District implemented GASB 54 in 2011 which established new fund balance classifications for governmental funds.

Heath City School District

2013	2014	2015	2016	2017	2018
\$58,886	\$2,463	\$2,075	\$27,763	\$29,944	\$0
5,881	36,428	15,307	0	0	0
124,352	717,659	187,650	261,619	175,101	531,080
0	533,211	2,810,841	4,221,923	6,021,754	8,355,313
0	0	0	0	0	0
0	0	0	0	0	0
189,119	1,289,761	3,015,873	4,511,305	6,226,799	8,886,393
18,872	63,584	42,889	17,200	33,000	49,849
1,811,895	1,779,099	1,809,505	1,949,189	1,695,240	2,128,484
(44,961)	(27,959)	(15,973)	0	(53,802)	(25,226)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,785,806	1,814,724	1,836,421	1,966,389	1,674,438	2,153,107
\$1,974,925	\$3,104,485	\$4,852,294	\$6,477,694	\$7,901,237	\$11,039,500

Heath City School District

Changes in Fund Balances, Governmental Funds Last Ten Years (modified accrual basis of accounting)

	2009	2010	2011	2012
	*			
Revenues:				
Local Sources:				
Taxes	\$8,961,555	\$9,331,887	\$8,188,824	\$8,381,872
Tuition	93,116	81,380	86,905	66,003
Food Service	298,338	256,785	243,667	241,808
Investment Earnings	83,550	22,538	11,841	9,590
Extracurricular Activities	104,348	109,350	115,755	87,820
Class Materials and Fees	85,847	75,966	72,703	64,454
Intergovernmental - State	6,384,719	6,271,018	6,375,408	6,115,330
Intergovernmental - Federal	882,747	1,409,484	1,736,676	836,314
All Other Revenue	528,422	567,612	571,270	572,818
Total Revenue	17,422,642	18,126,020	17,403,049	16,376,009
Expenditures:				
Current:				
Instruction	9,099,786	9,973,182	9,795,976	9,631,529
Supporting Services:				
Pupils	843,298	982,329	927,881	809,099
Instructional Staff	325,836	350,625	362,563	324,278
Board of Education	12,061	11,787	16,901	20,516
Administration	1,273,230	1,396,787	1,384,316	1,638,441
Fiscal Services	504,825	496,682	492,914	487,692
Business	41,636	34,831	34,834	17,713
Operation and Maintenance of Plant	1,259,472	1,168,957	1,189,989	1,222,560
Pupil Transportation	513,898	556,111	571,969	585,119
Central	232,781	279,319	311,756	278,397
Operation of Non-Instructional Services				
Community Services	5,125	10,722	6,758	6,117
Food Service Operations	553,902	594,848	560,267	583,818
Shared Services	0	0	0	0
Other	0	0	0	1,900
Extracurricular Activities	591,722	543,862	520,440	421,200
Capital Outlay	354,520	91,484	88,968	49,870
Debt Service:				
Principal Retirement	791,884	820,875	818,702	866,702
Interest and Fiscal Charges	587,690	554,109	514,971	491,780
Total Expenditures	16,991,666	17,866,510	17,599,205	17,436,731
Excess (Deficiency) of Revenues Over (Under) Expenditures	430,976	259,510	(196,156)	(1,060,722)

Heath City School District

2013	2014	2015	2016	2017	2018
\$8,082,155	\$9,250,713	\$10,115,662	\$10,830,906	\$10,637,252	\$12,058,474
78,449	535,675	890,288	979,931	1,161,902	1,425,622
220,566	186,257	152,316	198,299	235,209	264,402
7,807	6,416	9,938	28,683	62,562	112,336
102,999	134,064	124,900	130,864	148,799	134,362
76,887	64,719	57,449	56,246	57,169	59,295
6,048,971	6,647,676	7,194,372	7,435,863	7,556,848	7,754,127
920,119	879,254	982,893	1,040,547	1,037,083	1,134,337
585,749	583,706	584,368	585,668	450,295	261,294
16,123,702	18,288,480	20,112,186	21,287,007	21,347,119	23,204,249
9,887,089	9,671,600	10,227,343	10,839,935	10,872,530	11,090,703
609,970	597,979	610,112	625,555	657,412	644,394
301,093	243,751	317,931	305,817	321,093	581,614
79,588	80,043	49,101	248,574	329,525	63,368
1,506,325	1,459,945	1,507,152	1,726,393	1,516,556	1,703,790
502,551	536,825	573,425	514,527	601,325	629,735
29,284	14,330	20,438	28,922	13,562	17,892
1,208,877	1,253,864	1,423,453	1,677,527	1,570,171	1,575,075
613,996	584,559	544,902	607,345	554,295	652,338
274,241	308,225	448,230	344,887	408,367	246,830
1,776	4,410	1,994	4,416	0	0
583,763	531,695	553,134	603,909	699,024	709,644
0	17,994	54,691	0	0	0
0	0	0	0	0	0
452,268	426,676	463,049	460,474	591,781	631,697
174,798	274,419	68,586	308,295	646,597	173,287
983,849	923,699	1,022,773	1,073,448	1,135,286	1,063,627
485,280	484,775	465,915	437,664	331,426	295,132
17,694,748	17,414,789	18,352,229	19,807,688	20,248,950	20,079,126
(1,571,046)	873,691	1,759,957	1,479,319	1,098,169	3,125,123 (Continued)

Heath City School District

Changes in Fund Balances, Governmental Funds Last Ten Years (modified accrual basis of accounting)

	2009	2010	2011	2012
Other Financing Sources (Uses):				
Sale of Capital Assets	0	49	0	0
Refunding General Obligation Bonds Issued	0	0	0	0
Premium on General				
Obligation Refunding Bond	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0
Other Financing Sources - Capital Leases	248,060	0	0	0
Transfers In	20,000	20,000	0	0
Transfers Out	(20,000)	(20,000)	0	0
Total Other Financing Sources (Uses)	<u>248,060</u>	<u>49</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>\$679,036</u>	<u>\$259,559</u>	<u>(\$196,156)</u>	<u>(\$1,060,722)</u>
 Debt Service as a Percentage of Noncapital Expenditures	 8.31%	 7.71%	 7.61%	 7.81%

* Restated

Source: District Treasurer's Office

Heath City School District

2013	2014	2015	2016	2017	2018
0	4,000	400	400	3,000	2,000
0	0	0	7,340,000	0	0
0	0	0	493,000	0	0
0	0	0	(7,688,354)	0	0
74,450	250,956	0	0	325,526	8,820
0	50,000	85,000	0	101,150	128,825
0	(50,000)	(85,000)	0	(101,150)	(128,825)
74,450	254,956	400	145,046	328,526	10,820
(\$1,496,596)	\$1,128,647	\$1,760,357	\$1,624,365	\$1,426,695	\$3,135,943
8.36%	8.21%	8.13%	7.70%	7.43%	6.83%

Heath City School District

Assessed Valuations and Estimated True Values of Taxable Property Last Ten Calendar Years

Tax year	2008	2009	2010	2011
	**			*
Real Property				
Assessed	\$244,538,400	\$243,252,830	\$243,524,570	\$246,409,720
Actual	698,681,143	695,008,086	695,784,486	704,027,771
Public Utility				
Assessed	5,906,570	5,787,400	6,265,120	6,342,490
Actual	5,906,570	5,787,400	6,265,120	6,342,490
Tangible Personal Property				
Assessed	510,015	536,600	0	0
Actual	8,160,240	5,366,000	0	0
Total				
Assessed	250,954,985	249,576,830	249,789,690	252,752,210
Actual	712,747,953	706,161,486	702,049,606	710,370,261
Assessed Value as a Percentage of Actual Value	35.21%	35.34%	35.58%	35.58%
Total Direct Tax Rate	\$55.08	\$55.70	\$55.62	\$55.70

Source: Licking County Auditor

* Reappraisal

** Update

Presented on a calendar year basis because that is the manner
in which the information is maintained by the County.

Assessed value of Real Property is at 35%, Assessed value of Public Utility is at 100%
and Assessed Value of Tangible Personal Property is at 6.25% for 2008 and 0% thereafter.
Additionally, telephone and telecommunications property was reclassified
to general business personal property and assessed at 10% as of 2009 and 0% thereafter.

Heath City School District

2012	2013	2014 **	2015	2016	2017 *
\$248,432,630 709,807,514	\$248,446,390 709,846,829	\$246,138,835 703,253,814	\$234,500,020 670,000,057	\$236,501,406 675,718,303	\$259,175,790 740,502,257
6,675,260 6,675,260	7,976,040 7,976,040	8,025,020 8,025,020	9,434,090 9,434,090	11,761,470 11,761,470	12,215,810 12,215,810
0 0	0 0	0 0	0 0	0 0	0 0
255,107,890 716,482,774	256,422,430 717,822,869	254,163,855 711,278,834	243,934,110 679,434,147	248,262,876 687,479,773	271,391,600 752,718,067
35.61%	35.72%	35.73%	35.90%	36.11%	36.05%
\$53.85	\$61.75	\$63.10	\$64.30	\$63.30	\$62.60

Heath City School District

Property Tax Rates of Direct and Overlapping Governments
(per \$1,000 of assessed value)
Last Ten Calendar Years

	2008	2009	2010	2011
Direct District Rates				
General Fund	48.81	49.30	49.31	49.30
Bond Retirement Fund	5.07	5.20	5.11	5.20
Permanent Improvement Fund	1.20	1.20	1.20	1.20
Total	55.08	55.70	55.62	55.70
Overlapping Rates				
City of Heath	5.40	5.40	5.40	5.40
Career and Technical Education Center	2.50	2.50	2.52	2.54
Licking County	7.10	7.40	7.70	7.70
Licking County Library	0.00	0.00	1.00	1.00
Licking County Park District	0.00	0.00	0.00	0.00

Ohio Revised Code Sections 5705.02 and 5705.07 require a vote of the people for any millage exceeding the "unvoted" or "inside" millage.

Source:

Licking County Auditor's Office
Licking County Treasurer's Office

Heath City School District

2012	2013	2014	2015	2016	2017
47.60	55.50	56.60	57.80	57.20	56.10
5.05	5.05	5.30	5.30	4.90	5.30
1.20	1.20	1.20	1.20	1.20	1.20
53.85	61.75	63.10	64.30	63.30	62.60
5.65	5.40	5.40	6.40	6.40	6.40
2.48	2.56	2.54	2.58	2.57	2.55
7.70	7.70	8.00	8.00	8.00	9.50
1.00	1.00	1.00	1.00	1.00	1.00
0.00	0.25	0.25	0.25	0.25	0.25



Heath City School District

*Principal Taxpayers
Real Estate Tax and Public Utilities Personal Property
Current Year and Nine Years Ago*

Name of Taxpayer	Nature of Business	Calendar Year 2017		
		Assessed Value	Rank	Percent of Total Assessed Value
Ohio Power Company	Utility Company - Electric	\$9,521,870	1	3.51%
Glimcher Properties Limited Partnership	Development	8,103,240	2	2.99%
Southgate Association Limited Partnership	Shopping Center	5,512,500	3	2.03%
Quest Heathwood Village LLC	Apartments	4,094,900	4	1.51%
Wal*Mart Stores, Inc.	Retail Store	3,308,240	5	1.22%
Kaiser Aluminum and Chemical Corporation	Aluminum Processing	2,646,250	6	0.98%
Heath-Newark-Licking County Port Authority	Real Estate - Leasing	2,640,190	7	0.97%
Glenwood Apartments LLC	Apartments	2,450,000	8	0.90%
Cross Creek Limited Partnership	Shopping Center	2,424,520	9	0.89%
RAF Heath LLC	Shopping Center	2,364,160	10	0.87%
Subtotal		43,065,870		15.87%
All Others		228,325,730		84.13%
Total		<u>\$271,391,600</u>		<u>100.00%</u>

Name of Taxpayer	Nature of Business	Calendar Year 2008		
		Assessed Value	Rank	Percent of Total Assessed Value
Glimcher Properties Limited Partnership	Development	\$12,811,190	1	5.12%
Southgate Association Limited Partnership	Shopping Center	5,539,140	2	2.21%
Ohio Power Company	Utility Company - Electric	4,628,880	3	1.85%
Inland Western Heath Southgate LLC	Retail	4,075,370	4	1.63%
Chapel Grove Management Company	Apartments and Assisted Living	2,976,160	5	1.19%
Wal*Mart Stores, Inc.	Retail Store	2,792,340	6	1.11%
Heath-Newark-Licking County Port Authority	Real Estate - Leasing	2,643,730	7	1.06%
Kaiser Aluminum and Chemical Corporation	Aluminum Processing	2,490,810	8	0.99%
Lowe's	Retail	2,358,790	9	0.94%
Glenwood Apartments LLC	Shopping Center	2,049,360	10	0.82%
Subtotal		42,365,770		16.92%
All Others		208,079,200		83.08%
Total		<u>\$250,444,970</u>		<u>100.00%</u>

Source: Licking County Auditor - Land and Buildings
Based on valuation of property in 2017 and 2008

Presented on a calendar year basis because that is the manner
in which the information is maintained by the County.

Heath City School District

*Property Tax Levies and Collections
Last Ten Years*

Collection Year	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Tax Levy	\$9,772,281	\$9,252,238	\$9,420,730
Collections within the Fiscal Year of the Levy			
Current Tax Collections	9,568,886	8,929,050	8,385,220
Percent of Levy Collected	97.92%	96.51%	89.01%
Delinquent Tax Collections (1)	<u>127,549</u>	<u>204,670</u>	<u>336,522</u>
Total Tax Collections	9,696,435	9,133,720	8,721,742
Percent of Total Tax Collections To Tax Levy	99.22%	98.72%	92.58%
Accumulated Outstanding Delinquent Taxes	468,915	644,070	698,988
Percentage of Accumulated Delinquent Taxes to Total Tax Levy	4.80%	6.96%	7.42%

Source: Licking County Auditor's Office

Presented on a calendar year basis because that is the manner
in which the information is maintained by the County.

(1) The County's current computer system is unable to track delinquent tax collections by tax year.

Heath City School District

2011	2012	2013	2014	2015	2016	2017
\$9,476,237	\$9,495,631	\$9,003,974	\$10,960,686	\$11,119,757	\$11,551,120	\$11,419,479
9,196,764	9,149,588	8,709,214	10,649,259	10,812,156	11,223,676	11,188,024
97.05%	96.36%	96.73%	97.16%	97.23%	97.17%	97.97%
336,523	96,940	3,969	167,209	161,863	284,617	225,920
9,533,287	9,246,528	8,713,183	10,816,468	10,974,019	11,508,293	11,413,944
100.60%	97.38%	96.77%	98.68%	98.69%	99.63%	99.95%
214,485	232,431	183,748	190,554	125,628	120,889	153,338
2.26%	2.45%	2.04%	1.74%	1.13%	1.05%	1.34%

Heath City School District

Ratio of Outstanding Debt By Type Last Ten Years

	2009	2010	2011	2012
Governmental Activities (1)				*
Long-Term Notes Payable	\$35,000	\$0	\$0	\$0
General Obligation Bonds Payable	15,721,702	15,402,557	15,120,402	15,061,386
Capital Leases	215,410	169,535	120,833	69,131
Total Primary Government	<u>\$15,972,112</u>	<u>\$15,572,092</u>	<u>\$15,241,235</u>	<u>\$15,130,517</u>
Population (2)				
City of Heath	8,544	8,507	10,310	10,310
Outstanding Debt Per Capita	1,869	1,831	1,478	1,468
Income (3)				
Personal (in thousands)	295,460	291,348	358,520	386,532
Percentage of Personal Income	5.41%	5.34%	4.25%	3.91%

* Restated for Deferred Charge on Refunding

Sources:

- (1) District Treasurer's Office
- (2) US Bureau of Census of Population
- (3) US Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available by County, Total Personal Income is a calculation based on previous calendar year

Heath City School District

2013	2014	2015	2016	2017	2018
\$0	\$0	\$0	\$0	\$0	\$0
14,522,171	13,902,047	13,170,033	12,140,782	11,355,564	10,566,487
64,732	301,989	204,216	105,768	256,008	191,201
<u>\$14,586,903</u>	<u>\$14,204,036</u>	<u>\$13,374,249</u>	<u>\$12,246,550</u>	<u>\$11,611,572</u>	<u>\$10,757,688</u>
10,310	10,310	10,310	10,310	10,310	10,310
1,415	1,378	1,297	1,188	1,126	1,043
388,470	396,822	410,699	428,700	435,257	435,257
3.75%	3.58%	3.26%	2.86%	2.67%	2.47%

Heath City School District

Ratios of General Bonded Debt Outstanding Last Ten Years

Year	2009	2010	2011	2012
Population ⁽¹⁾	8,544	8,507	10,310	10,310
Assessed Value ⁽²⁾	250,954,985	249,576,830	249,789,690	252,752,210
General Bonded Debt ⁽³⁾				
General Obligation Bonds	15,721,702	15,402,557	15,120,402	15,061,386
Resources Available to Pay Principal ⁽⁴⁾	797,551	880,415	1,031,216	1,103,745
Net General Bonded Debt	14,924,151	14,522,142	14,089,186	13,957,641
Ratio of Net Bonded Debt to Assessed Value	5.95%	5.82%	5.64%	5.52%
Net Bonded Debt per Capita	1,746.74	1,707.08	1,366.56	1,353.80

Source:

(1) U.S. Bureau of Census of Population

(2) Licking County Auditor

(3) Includes all general obligation bonded debt supported by property taxes

(4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

Heath City School District

2013	2014	2015	2016	2017	2018
10,310	10,310	10,310	10,310	10,310	10,310
255,107,890	256,422,430	254,163,855	243,934,110	248,262,876	271,391,600
14,522,171	13,902,047	13,170,033	12,140,782	11,355,564	10,566,487
1,042,575	1,049,893	1,075,169	1,242,170	1,006,492	1,399,129
13,479,596	12,852,154	12,094,864	10,898,612	10,349,072	9,167,358
5.28%	5.01%	4.76%	4.47%	4.17%	3.38%
1,307.43	1,246.57	1,173.12	1,057.09	1,003.79	889.17



Heath City School District

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
June 30, 2018*

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Heath City School District</u>	<u>Amount Applicable to Heath City School District</u>
Direct:			
Heath City School District	\$10,757,688	100.00%	\$10,757,688
Overlapping:			
City of Heath	1,689,725	91.40%	1,544,409
Career and Technical Education Center	3,560,000	5.96%	212,176
Licking County	33,098,432	6.16%	<u>2,038,863</u>
		Subtotal	<u>3,795,448</u>
		Total	<u><u>\$14,553,136</u></u>

Source: Licking County and Fiscal Officers of Subdivision

Overlapping percentage was calculated by dividing each overlapping subdivision's assessed valuation within the City by the subdivision's total assessed valuation.

Heath City School District

Debt Limitations Last Ten Years

	2009	2010	2011	2012
				*
Net Assessed Valuation	\$250,954,985	\$249,576,830	\$249,789,690	\$252,752,210
Legal Debt Limitation (%) ⁽¹⁾	9.00%	9.00%	9.00%	9.00%
Legal Debt Limitation (\$) ⁽¹⁾	22,585,949	22,461,915	22,481,072	22,747,699
Applicable District Debt Outstanding	15,756,702	15,402,557	15,120,402	15,061,386
Less: Applicable Debt Service Fund Amounts ⁽²⁾	(797,551)	(880,415)	(1,031,216)	(1,103,745)
Net Indebtedness Subject to Limitation	14,959,151	14,522,142	14,089,186	13,957,641
Overall Legal Debt Margin	<u>\$7,626,798</u>	<u>\$7,939,773</u>	<u>\$8,391,886</u>	<u>\$8,790,058</u>
Legal Debt Limitation (%) ⁽¹⁾	0.10%	0.10%	0.10%	0.10%
Legal Debt Limitation (\$) ⁽¹⁾	250,955	249,577	249,790	252,752
Applicable District Debt Outstanding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unvoted Legal Debt Margin	<u>\$250,955</u>	<u>\$249,577</u>	<u>\$249,790</u>	<u>\$252,752</u>
Legal Debt Limitation (%) ⁽¹⁾	0.90%	0.90%	0.90%	0.90%
Legal Debt Limitation (\$) ⁽¹⁾	2,258,595	2,246,191	2,248,107	2,274,770
Applicable District Debt Outstanding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unvoted Energy Conservation Loans Legal Debt Margin	<u>\$2,258,595</u>	<u>\$2,246,191</u>	<u>\$2,248,107</u>	<u>\$2,274,770</u>

*Restated for Deferred Charge on Refunding

(1) Ohio Bond Law sets a limit of 9% for overall debt, 1/10 of 1% for unvoted debt, and 9/10 of 1% for energy conservation debt.

(2) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

Heath City School District

2013	2014	2015	2016	2017	2018
\$255,107,890	\$256,422,430	\$254,163,855	\$243,934,110	\$248,262,876	\$271,391,600
9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
22,959,710	23,078,019	22,874,747	21,954,070	22,343,659	24,425,244
14,522,171	13,902,047	13,170,033	12,140,782	11,355,564	10,566,487
(1,042,575)	(1,049,893)	(1,075,169)	(1,242,170)	(1,006,492)	(1,399,129)
13,479,596	12,852,154	12,094,864	10,898,612	10,349,072	9,167,358
\$9,480,114	\$10,225,865	\$10,779,883	\$11,055,458	\$11,994,587	\$15,257,886
0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
255,108	256,422	254,164	243,934	248,263	271,392
0	0	0	0	0	0
\$255,108	\$256,422	\$254,164	\$243,934	\$248,263	\$271,392
0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
2,295,971	2,307,802	2,287,475	2,195,407	2,234,366	2,442,524
0	0	0	0	0	0
\$2,295,971	\$2,307,802	\$2,287,475	\$2,195,407	\$2,234,366	\$2,442,524

Heath City School District

Demographic and Economic Statistics Last Ten Years

Calendar Year	2008	2009	2010	2011	2012
Population (1)					
City of Heath	8,544	8,507	10,310	10,310	10,310
Licking County	156,183	158,488	166,492	166,983	167,719
Income (2) (a)					
Total Personal (in thousands)	295,460	291,348	358,520	386,532	388,470
Per Capita	34,581	34,248	34,774	37,491	37,679
Unemployment Rate (3)					
Federal	5.8%	9.3%	9.6%	8.9%	8.1%
State	6.6%	10.2%	10.1%	8.6%	7.2%
Licking County	6.1%	9.3%	9.5%	8.0%	6.5%

Fiscal Year	2009	2010	2011	2012	2013
School Enrollment (4)					
Grades K - 2	384	373	359	347	353
Grades 3 - 5	435	413	401	381	379
Grades 6 - 8	426	437	457	419	408
Grades 9 - 12	473	468	458	455	477
JVS	53	52	55	56	55
Total	<u>1,771</u>	<u>1,743</u>	<u>1,730</u>	<u>1,658</u>	<u>1,672</u>

Sources:

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis

(a) Per Capita Income is only available by County (2017 not available), Total Personal Income is a calculation

(3) State Department of Labor Statistics

(4) District Treasurer's Office

Note: In FY 18, all years of School Enrollment were restated using ODE October headcounts.

Heath City School District

2013	2014	2015	2016	2017
10,310	10,310	10,310	10,310	10,310
168,503	169,390	170,570	172,198	172,198
396,822	410,699	428,700	435,257	435,257
38,489	39,835	41,581	42,217	42,217
7.4%	6.2%	5.3%	4.9%	4.4%
7.4%	5.7%	4.9%	4.9%	5.0%
6.9%	5.1%	4.4%	4.3%	4.2%
2014	2015	2016	2017	2018
359	393	397	376	382
382	398	410	418	403
388	406	396	385	405
505	486	479	489	497
48	65	70	56	65
1,682	1,748	1,752	1,724	1,752



Heath City School District

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2017	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	810	1
Super Wal-Mart Stores	Retail Sales	448	2
Heath City Schools	Education	316	3
Kaiser Aluminum & Chemical Co	Manufacturing	269	4
Heath Nursing Home	Health Care	258	5
Kroger	Retail / Grocery	257	6
JLH Automotive	Retail Sales	239	7
Lowe's Home Center	Retail Sales	224	8
Englefield Oil	Petroleum Products	206	9
Mathews Ford	Retail Sales	150	10
Total		<u>3,177</u>	

Employer	Nature of Business	2008	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	1,225	1
Wal*Mart Stores	Retail Sales	472	2
Arvin/Meritor/Rockwell	Manufacturing	443	3
Kaiser Aluminum & Chemical Corporation	Manufacturing	303	4
Heath City Schools	Education	300	5
Heath Nursing Home	Health Care	256	6
Sears	Retail Sales	206	7
Lowe's Home Center	Retail Sales	204	8
JHL Automotive	Retail Sales	199	9
Englefield Oil	Petroleum Products	177	10
Total		<u>3,785</u>	

Sources: City of Heath. Presented on a calendar year basis because that is the manner in which the information is maintained by the City. Information for total City employment is not available.

Heath City School District

School District Employees by Type Last Ten Years

	2009	2010	2011	2012	2013
Supervisory					
Instructional Administrators	2.00	2.00	2.00	2.00	2.00
Noninstructional Administrators	1.00	1.00	1.00	1.00	1.00
Principals	4.00	4.00	4.00	4.00	4.00
Assistant Principals	1.00	1.00	1.00	1.00	1.00
Instruction					
Classroom Teachers	106.00	106.00	104.00	102.00	100.00
Student Services					
Guidance Counselors	3.50	3.50	3.50	2.50	1.00
Psychologists	1.00	1.00	1.00	1.00	1.00
Librarians	2.00	2.00	2.00	2.00	1.00
Support Services					
Clerical/Secretaries	11.00	11.00	11.00	11.00	11.00
Tutors/Aides	2.00	2.00	2.00	2.00	1.00
Food Service	18.00	18.00	18.00	18.00	18.00
Maintenance/Grounds	9.00	9.00	9.00	9.00	9.00
Transportation	12.00	12.00	12.00	12.00	12.00
<i>Total Employees</i>	<u>172.50</u>	<u>172.50</u>	<u>170.50</u>	<u>167.50</u>	<u>162.00</u>

Method: The District began using EMIS staffing submissions as its source data in FY 18, and as such, restated the statistics from FY 15 through FY 18 using available historical data. Staffing counts reflect current positions at the time of submission of the final CK staff employment record for the fiscal year. In addition, the figures represent only regular positions and exclude temporary or supplemental positions. FTEs are defined as the District's definition of a full-time equivalent for that particular position. For example, some positions are considered to be full-time at 6 hours per day (ex. Cooks), while others might be 7.25 hours per day (ex. Teachers). Staffing figures exclude any positions with less than 3 hours per day.

Source: District Treasurer's Office

Heath City School District

2014	2015	2016	2017	2018
2.00	2.00	2.00	2.00	2.00
1.00	6.00	6.00	6.00	6.00
4.00	4.00	4.00	3.00	4.00
2.00	1.00	1.00	1.00	1.00
104.00	97.50	94.50	89.75	96.25
1.00	1.00	1.00	1.00	1.00
1.00	2.00	2.00	2.00	6.00
1.00	1.00	1.00	1.00	1.00
11.00	11.00	10.00	11.50	12.00
1.00	14.00	14.50	12.00	10.00
18.00	11.00	11.00	9.00	10.00
9.00	9.00	9.00	9.00	9.00
12.00	13.00	11.00	13.00	12.00
167.00	172.50	167.00	160.25	170.25

Heath City School District

Operating Indicators - Cost per Pupil Last Ten Years

Fiscal Year	2009	2010	2011	2012
Enrollment	1,771	1,743	1,730	1,658
Modified Accrual Basis				
Operating Expenditures	16,991,666	17,866,510	17,599,205	17,436,731
Cost per Pupil	9,594	10,250	10,173	10,517
Percentage of Change	3.5%	6.8%	(0.8%)	3.4%
Accrual Basis (1)				
Expenses	16,241,554	17,456,264	17,108,447	16,713,393
Cost per Pupil	9,171	10,015	9,889	10,080
Percentage of Change	3.19%	9.21%	(1.26%)	1.93%
Teaching Staff	106	106	104	93

(1) Expenses exclude interest and fiscal charges

Source: District Treasurer's Office and Ohio Department of Education

Note: In FY 18, all years of Enrollment were restated using ODE October headcounts.

Heath City School District

2013	2014	2015	2016	2017	2018
1,672	1,682	1,748	1,752	1,724	1,752
17,694,748	17,414,789	18,352,229	19,807,688	20,248,950	20,079,126
10,583	10,354	10,499	11,306	11,745	11,461
0.6%	(2.2%)	1.4%	7.7%	3.9%	(2.4%)
16,839,524	16,585,008	17,415,686	18,853,713	19,635,128	12,122,616
10,071	9,860	9,963	10,761	11,389	6,919
(0.09%)	(2.10%)	1.04%	8.01%	5.84%	(39.25%)
94	100	97.50	94.50	89.75	96.25

Heath City School District

*Operating Indicators by Function
Last Ten Years*

	2009	2010	2011	2012
Governmental Activities				
Pupils				
Enrollment	1,775	1,681	1,652	1,597
Graduates	113	110	122	116
Percent of Students with Disabilities	6.3%	6.5%	6.7%	7.0%
Board of Education				
Regularly scheduled board meetings per year	12	12	12	12
Administration				
School Attendance Rate	96.10%	94.70%	95.40%	96.40%
Fiscal Services				
Purchase Orders Processed	2,149	2,067	2,114	2,116
Checks Issued (non payroll)	2,316	1,583	2,266	2,242
Operation and Maintenance of Plant				
District Square Footage Maintained	291,068	291,068	291,068	291,068
District Square Miles Maintained	11.2	11.2	11.2	11.2
Pupil Transportation				
Average Daily Students Transported	1,189	1,188	1,195	1,162
Average Daily Bus Fleet Miles	901	901	901	901
Number of Buses	16	16	16	16
Operation of Noninstructional Services				
Food Service Operations				
Students Lunches Served Annually	156,800	156,982	146,579	145,932
Percent of Free/Reduced Price Meals ⁽¹⁾	39%	40%	41%	46%
Extracurricular Activities				
High School Varsity Teams	17	17	17	17

Source: District Treasurer's Office

(1) Food Service operation statistics began using the point of sale system reports in FY 2018 and restated statistics for FY 2017 for comparison purposes.

Heath City School District

2013	2014	2015	2016	2017	2018
1,614	1,641	1,735	1,718	1,712	1,752
112	117	133	137	108	106
7.1%	7.2%	7.2%	7.2%	11.5%	13.8%
12	12	12	12	12	12
96.20%	96.80%	96.70%	96.80%	94.90%	94.00%
2,355	2,367	2,241	2,287	2,416	2,420
2,385	2,288	2,318	2,302	2,249	2,114
291,068	291,068	291,068	291,068	291,068	291,068
11.2	11.2	11.2	11.2	11.2	11.2
1,169	1,181	1,188	1,188	885	886
899	900	901	901	581	533
16	16	16	16	17	16
142,972	141,109	140,972	141,172	134,229	134,746
47%	47%	48%	49%	63%	57%
17	17	17	17	21	22

Heath City School District

Operating Indicators - Teacher Base Salaries Last Ten Years

Fiscal Year	2009	2010	2011	2012	2013
Minimum Salary	32,213	33,286	33,286	33,286	33,286
Maximum Salary	69,258	71,565	71,565	71,565	71,565
District Average Salary	51,571	54,130	54,823	54,334	54,057
State Average Salary (1)	54,656	55,958	56,715	56,715	56,307

Source: District Treasurer's Office and Ohio Department of Education

(1) N/A - The 2018 figures were not yet available from the Ohio Department of Education.

Operating Indicators - Teacher by Education Last Ten Years

Fiscal Year	2009	2010	2011	2012	2013
Bachelor's Degree	9	9	7	6	6
Bachelor + 15 (1)	18	16	16	9	9
Master's Degree	54	56	56	57	56
Master's Degree + 15 (1)	12	12	12	9	9
Master's Degree + 30	13	13	13	12	12
Total	106	106	104	93	92

Source: District Treasurer's Office

(1) In 2014, the Bachelor's + 15 and Master's + 15 were removed per negotiations.

(2) Ohio Department of Education

Note: Teachers by Education counts are headcounts, while staffing levels are FTEs.

Furthermore, this schedule reflects all staff paid on the teaching salary schedules, which includes some individuals with differing functional titles (ex. Guidance)

Heath City School District

2014	2015	2016	2017	2018
34,118	34,800	35,148	35,148	35,851
73,354	74,820	75,568	77,326	78,872
52,671	51,776	52,446	52,535	55,769
55,913	55,242	57,154	58,849	N/A

2014	2015	2016	2017	2018
27	26	23	34	30
0	0	0	0	0
64	67	72	57	59
0	0	0	0	0
9	9	9	9	12
100	102	104	100	101

Heath City School District

Capital Asset Statistics by Building Last Ten Years

	2009	2010	2011	2012
Secondary				
Heath High School				
Square Footage	124,740	124,740	124,740	124,740
Capacity (students)	600	600	600	600
Enrollment	526	520	513	511
Middle				
Heath Middle School				
Square Footage	67,197	67,197	67,197	67,197
Capacity (students)	450	450	450	450
Enrollment	426	437	457	419
Elementary				
Stevenson Elementary School				
Square Footage	44,437	44,437	44,437	44,437
Capacity (students)	450	450	450	450
Enrollment	435	413	401	381
Garfield Elementary School				
Square Footage	44,112	44,112	44,112	44,112
Capacity (students)	450	450	450	450
Enrollment	384	373	359	347
All Other				
Central Administration Building				
Square Footage	2,400	2,400	2,400	2,400
Capacity	14	14	14	14
Staff	13	13	13	13
Bus Garage				
Square Footage	10,800	10,800	10,800	10,800
Capacity (Buses)	16	16	16	16

Source: District Treasurer's Office

Note: In FY 18, all years of School Enrollment were restated using ODE October headcounts.

Heath City School District

2013	2014	2015	2016	2017	2018
124,740	124,740	124,740	124,740	124,700	124,700
600	600	600	600	600	600
532	553	551	549	545	562
67,197	67,197	67,197	67,197	67,197	67,197
450	450	450	450	450	450
408	388	406	396	385	405
44,437	44,437	44,437	44,437	44,437	44,437
450	450	450	450	450	450
379	382	398	410	418	403
44,112	44,112	44,112	44,112	44,112	44,112
450	450	450	450	450	450
353	359	393	397	376	382
2,400	2,400	2,400	2,400	2,400	2,400
14	14	14	14	14	14
13	12	13	13	13	13
10,800	10,800	10,800	10,800	10,800	10,800
16	16	16	16	17	16

Heath City School District

Educational and Operating Statistics Last Ten Years

	2009	2010	2011	2012	2013
ACT Scores (Average)					
Heath	21.8	22.0	21.9	21.8	21.7
Ohio	21.7	21.7	21.7	21.6	21.7
National	21.3	21.3	21.3	21.3	21.3
Cost per Student (ODE)					
Heath	8,060	10,480	10,677	9,136	10,961
Ohio (Average) (1)	10,184	10,512	10,571	10,508	10,149
Attendance Rate					
Heath	95.20%	94.70%	95.40%	95.60%	94.80%
Ohio (Average) (1)	94.30%	94.30%	64.50%	94.50%	94.20%
Graduation Rate (2)					
Heath	93.70%	99.30%	96.50%	93.80%	93.30%
Ohio (Average)	84.60%	83.00%	83.30%	81.30%	82.20%

Source:

District's Student Records and Ohio Department of Education

(1) ODE calculation is not based on GAAP financial reports. Beginning in 2014, Cost per Student is based on Equivalent Pupil.

(2) The 2018 figures were not yet available.

(a) Beginning with FY12, the Graduation rates from ODE are calculated using a method required by federal law that tracks students when they transfer from school to school- Longitudinal Graduation 4 Year Rate.

Heath City School District

2014	2015	2016	2017	2018
21.8	21.9	21.9	21.3	18.3
21.7	21.7	21.7	22.0	20.3
21.4	21.4	21.4	21.0	20.8
8,603	8,225	8,978	9,480	8,335
9,536	9,904	9,837	10,445	9,353
96.70%	94.90%	94.90%	94.90%	94.00%
94.30%	94.10%	94.10%	93.90%	93.70%
91.70%	96.90%	92.40%	92.80%	92.80%
82.30%	83.00%	83.50%	84.10%	84.10%

