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Certified Public Accountants, A.C.

**MADISON-PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY  
Single Audit  
For the Fiscal Year Ended June 30, 2016**

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- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

Board of Education  
Madison-Plains Local School District  
55 Linson Road SW  
London, Ohio 43140

We have reviewed the *Independent Auditor's Report* of the Madison-Plains Local School District, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 24, 2017

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**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

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MADISON COUNTY, OHIO**

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## INDEPENDENT AUDITOR'S REPORT

December 30, 2016

Madison Plains Local School District  
Madison County  
55 Linson Road  
London, Ohio 43144

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 **Madison Plains Local School District**, Madison County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no 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.



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***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 Madison Plains Local School District, Madison County, Ohio, as of June 30, 2016, and the respective changes in its financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
*Marietta, Ohio*

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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The discussion and analysis of the Madison Plains Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2016 are as follows:

- Net position decreased \$788,918, which represents a 10 percent decrease from 2015.
- Capital assets increased \$247,512 during fiscal year 2016.
- During the fiscal year, outstanding debt decreased from \$60,000 to \$30,000 due to principal payments made by the School District.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Madison Plains Local School District, the general fund and the permanent improvement fund are the most significant funds.

***Reporting the School District as a Whole***

***Statement of Net Position and the Statement of Activities***

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

***Reporting the School District's Most Significant Funds***

***Fund Financial Statements***

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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.

***Proprietary Fund*** The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for a health reimbursement account and flexible spending account. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 20.

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate *Statements of Fiduciary Net Position* and *Changes in Fiduciary Net Position* on pages 23 and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**Madison Plains Local School District**  
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*Management's Discussion and Analysis*  
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**The School District as a Whole**

Recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015:

**Table 1**  
**Net Position**

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Current and Other Assets	\$ 10,511,121	\$ 11,800,793
Capital Assets	7,455,391	7,207,879
<i>Total Assets</i>	17,966,512	19,008,672
<b>Deferred Outflows of Resources</b>		
Pension	2,264,494	1,406,813
<b>Liabilities</b>		
Current and Other Liabilities	1,613,657	1,650,691
Long-Term Liabilities:		
Due Within One Year	138,292	116,064
Due in More Than One Year		
Net Pension Liability	20,689,513	18,218,844
Other Amounts	849,733	875,788
<i>Total Liabilities</i>	23,291,195	20,861,387
<b>Deferred Inflows of Resources</b>		
Property Taxes and Other	4,422,424	4,492,522
Pension	1,541,086	3,296,357
<i>Total Deferred Inflows of Resources</i>	5,963,510	7,788,879
<b>Net Position</b>		
Net Investment in Capital Assets	7,360,609	7,207,879
Restricted	630,455	954,391
Unrestricted	(17,014,763)	(16,397,051)
<i>Total Net Position</i>	\$ (9,023,699)	\$ (8,234,781)

During 2015, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**Madison Plains Local School District**  
**Madison County, Ohio**  
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*For the Fiscal Year Ended June 30, 2016*

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

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*For the Fiscal Year Ended June 30, 2016*

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There was a \$1,289,672 decrease in current assets during 2016 which was primarily due to a decrease in equity in pooled cash. The decrease in equity in pooled cash and investments was due to significant maintenance costs that the School District incurred.

The \$2,429,808 increase in liabilities, \$1,825,369 decrease in deferred inflows of resources and \$857,681 increase in deferred outflows of resources were primarily caused by changes related to the pension plans during 2016.

The net position restricted for capital outlay decreased \$312,573 due to project costs incurred for heating and air conditioning units and paving. The School District also purchased two school buses during fiscal year 2016.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

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**Madison Plains Local School District**  
**Madison County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2016	2015
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,304,138	\$ 1,050,315
Operating Grants	<u>1,179,660</u>	<u>1,257,161</u>
<i>Total Program Revenues</i>	<u>2,483,798</u>	<u>2,307,476</u>
<i>General Revenues:</i>		
Property Taxes	6,918,083	7,179,229
Grants and Entitlements Not Restricted	5,790,191	5,825,792
Payments in Lieu of Taxes	832	8,765
Other	<u>51,052</u>	<u>11,565</u>
<i>Total General Revenues</i>	<u>12,760,158</u>	<u>13,025,351</u>
<i>Total Revenues</i>	<u>15,243,956</u>	<u>15,332,827</u>
<b>Program Expenses</b>		
Instruction:		
Regular	7,574,037	7,522,266
Special	1,036,281	1,142,326
Vocational	355,191	351,123
Support Services:		
Pupils	611,983	616,146
Instructional Staff	497,030	449,519
Board of Education	66,941	80,415
Administration	1,494,255	1,384,701
Fiscal	531,954	519,749
Business	3,879	0
Operation and Maintenance of Plant	1,152,951	1,146,857
Pupil Transportation	1,188,145	1,307,224
Central	363,142	378,609
Operation of Non-Instructional Services:		
Food Service Operations	629,648	601,830
Extracurricular Activities	523,028	490,025
Debt Service:		
Interest and Fiscal Charges	<u>4,409</u>	<u>3,325</u>
<i>Total Expenses</i>	<u>16,032,874</u>	<u>15,994,115</u>
<i>Increase (Decrease) in Net Position</i>	(788,918)	(661,288)
<i>Net Position at Beginning of Year</i>	<u>(8,234,781)</u>	<u>(7,573,493)</u>
<i>Net Position at End of Year</i>	<u>\$ (9,023,699)</u>	<u>\$ (8,234,781)</u>

The increase in charges for services during fiscal year 2016 was due to an increase in open enrollment revenue.

**Madison Plains Local School District**  
**Madison County, Ohio**  
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*For the Fiscal Year Ended June 30, 2016*

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2016	2015	2016	2015
<b>Instruction:</b>				
Regular	\$ 7,574,037	\$ 7,522,266	\$ 6,468,766	\$ 6,619,491
Special	1,036,281	1,142,326	671,825	662,840
Vocational	355,191	351,123	302,960	274,986
<b>Support Services:</b>				
Pupils	611,983	616,146	600,647	570,745
Instructional Staff	497,030	449,519	483,762	446,985
Board of Education	66,941	80,415	66,941	80,415
Administration	1,494,255	1,384,701	1,364,196	1,279,938
Fiscal	531,954	519,749	531,954	519,749
Business	3,879	0	3,879	0
Operation and Maintenance of Plant	1,152,951	1,146,857	1,137,956	1,126,857
Pupil Transportation	1,188,145	1,307,224	1,174,912	1,296,730
Central	363,142	378,609	355,942	378,609
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	629,648	601,830	2,885	34,578
Extracurricular Activities	523,028	490,025	378,042	391,391
<b>Debt Service:</b>				
Interest and Fiscal Charges	4,409	3,325	4,409	3,325
<b>Total Expenses</b>	<b>\$ 16,032,874</b>	<b>\$ 15,994,115</b>	<b>\$ 13,549,076</b>	<b>\$ 13,686,639</b>

The dependence upon general revenues for governmental activities is apparent. Nearly 85 percent of governmental activities are supported through taxes and other general revenues; such revenues are 84 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

***Governmental Funds***

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. The net change in fund balances for the fiscal year was a decrease of \$1,182,555 for all governmental funds with the most significant decrease in the general fund.

The fund balance of the general fund decreased by \$839,713 due to deficit spending in fiscal year 2016.

The fund balance of the permanent improvement fund decreased by \$313,777 due to the timing of revenue collections as compared to project costs incurred.



**Madison Plains Local School District**  
**Madison County, Ohio**  
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*For the Fiscal Year Ended June 30, 2016*

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***General Fund Budgeting Highlights***

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

During the course of fiscal year 2016, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue and other financing sources of \$13,490,204 was \$4,842 less than the original and final budget basis revenue of \$13,495,046. Most of this difference is due to an overestimation of property and other local tax revenues, offset by underestimation of tuition and fees from the increased open enrollment.

Final expenditure appropriations and other financing uses of \$14,871,335 were \$275,314 higher than the actual expenditures of \$14,596,021, as cost savings were recognized throughout the year.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2016, the School District had \$7,455,391 invested in capital assets. Table 4 shows fiscal year 2016 balances compared with 2015.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2016	2015
Land	\$ 202,377	\$ 202,377
Land Improvements	604,207	506,741
Buildings and Improvements	4,609,691	4,611,783
Furniture and Fixtures	1,282,239	1,222,608
Vehicles	579,424	464,570
Infrastructure	36,342	39,741
Textbooks	141,111	160,059
<i>Totals</i>	\$ 7,455,391	\$ 7,207,879

The \$247,512 increase in capital assets was attributable to current year additional purchases exceeding depreciation. See Note 8 for more information about the capital assets of the School District.

**Debt**

At June 30, 2016, the School District had \$30,000 in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2016	2015
HB 264 Energy Conservation Bonds	\$ 30,000	\$ 60,000

***Current Issues***

The School District has a good financial position. The Board of Education and administration closely monitor the School District's revenues and expenditures in accordance with its financial forecast and the School District's Improvement plan. The administration continues to carefully plan its expenditures to provide adequate resources to meet student needs over the next several years.

The School District is in the second year of a three year negotiated agreement with the Madison Plains Education Association and the Ohio Association of Public School Employees. The School District completed negotiations with both MPEA and OAPSE in spring 2015. A three year contract was agreed upon. Both contracts call for a 1.00 percent base increase in the first year, and 2.00 percent in years two and three of the agreement. Each agreement also calls for an insurance cap of 10 percent ensuring the School District premium rate increases will not exceed 8 percent annually.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Todd Mustain, Treasurer of Madison Plains Local School District, 55 Linson Road SW, London, Ohio 43140.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Statement of Net Position*  
*June 30, 2016*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 5,346,285
Receivables:	
Intergovernmental	159,819
Property Taxes	5,005,017
Nondepreciable Capital Assets	202,377
Depreciable Capital Assets (Net)	7,253,014
<i>Total Assets</i>	17,966,512
 <b>Deferred Outflows of Resources</b>	
Pension	2,264,494
 <b>Liabilities</b>	
Accounts Payable	49,656
Accrued Wages and Benefits	1,268,082
Intergovernmental Payable	269,603
Accrued Vacation Leave Payable	26,316
Long Term Liabilities:	
Due Within One Year	138,292
Due In More Than One Year:	
Net Pension Liability (See Note 10)	20,689,513
Other Amonts Due in More Than One Year	849,733
<i>Total Liabilities</i>	23,291,195
 <b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Year	4,422,424
Pension	1,541,086
<i>Total Deferred Inflows of Resources</i>	5,963,510
 <b>Net Position</b>	
Net Investment in Capital Assets	7,360,609
Restricted For:	
Capital Outlay	533,147
Other Purposes	97,308
Unrestricted (Deficit)	(17,014,763)
<i>Total Net Position</i>	\$ (9,023,699)

See accompanying notes.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 7,574,037	\$ 881,398	\$ 223,873	\$ (6,468,766)
Special	1,036,281	22,469	341,987	(671,825)
Vocational	355,191	0	52,231	(302,960)
Support Services:				
Pupils	611,983	11,336	0	(600,647)
Instructional Staff	497,030	0	13,268	(483,762)
Board of Education	66,941	0	0	(66,941)
Administration	1,494,255	0	130,059	(1,364,196)
Fiscal	531,954	0	0	(531,954)
Business	3,879	0	0	(3,879)
Operation and Maintenance of Plant	1,152,951	6,000	8,995	(1,137,956)
Pupil Transportation	1,188,145	1,365	11,868	(1,174,912)
Central	363,142	0	7,200	(355,942)
Operation of Non-Instructional Services:				
Food Service Operations	629,648	270,722	356,041	(2,885)
Extracurricular Activities	523,028	110,848	34,138	(378,042)
Debt Service:				
Interest and Fiscal Charges	4,409	0	0	(4,409)
<b>Total</b>	<b>\$ 16,032,874</b>	<b>\$ 1,304,138</b>	<b>\$ 1,179,660</b>	<b>(13,549,076)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	6,458,398
Capital Outlay	459,685
Grants and Entitlements Not Restricted to Specific Programs	5,790,191
Payments in Lieu of Taxes	832
Investment Earnings	3,101
Miscellaneous	47,951
<b>Total General Revenues</b>	<b>12,760,158</b>
 <i>Change in Net Position</i>	 (788,918)
 <i>Net Position Beginning of Year</i>	 (8,234,781)
 <i>Net Position End of Year</i>	 <u>\$ (9,023,699)</u>

See accompanying notes.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2016*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,718,432	\$ 506,585	\$ 79,385	\$ 5,304,402
Receivables:				
Interfund	29,202	0	0	29,202
Intergovernmental	70,179	0	89,640	159,819
Property Taxes	4,630,803	374,214	0	5,005,017
<i>Total Assets</i>	<u>\$ 9,448,616</u>	<u>\$ 880,799</u>	<u>\$ 169,025</u>	<u>\$ 10,498,440</u>
<b>Liabilities</b>				
Accounts Payable	\$ 49,035	\$ 380	\$ 241	\$ 49,656
Accrued Wages and Benefits	1,220,613	0	47,469	1,268,082
Intergovernmental Payable	260,705	0	8,898	269,603
Interfund Payable	0	0	29,202	29,202
<i>Total Liabilities</i>	<u>1,530,353</u>	<u>380</u>	<u>85,810</u>	<u>1,616,543</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for the Next Year	4,075,152	347,272	0	4,422,424
Unavailable Revenue	362,867	16,627	89,640	469,134
<i>Total Deferred Inflows of Resources</i>	<u>4,438,019</u>	<u>363,899</u>	<u>89,640</u>	<u>4,891,558</u>
<b>Fund Balances</b>				
Restricted	0	516,520	36,415	552,935
Assigned	1,297,161	0	0	1,297,161
Unassigned	2,183,083	0	(42,840)	2,140,243
<i>Total Fund Balances</i>	<u>3,480,244</u>	<u>516,520</u>	<u>(6,425)</u>	<u>3,990,339</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 9,448,616</u>	<u>\$ 880,799</u>	<u>\$ 169,025</u>	<u>\$ 10,498,440</u>

See accompanying notes.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2016*

<b>Total Governmental Fund Balances</b>		\$ 3,990,339
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,455,391
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 89,640	
Excess Costs	26,929	
Property Taxes	<u>352,565</u>	469,134
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		41,883
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	2,264,494	
Deferred Inflows - Pension	(1,541,086)	
Net Pension Liability	<u>(20,689,513)</u>	(19,966,105)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(30,000)	
Capital Lease Obligation	(94,782)	
Early Retirement Incentive	(24,000)	
Vacations Payable	(26,316)	
Compensated Absences	<u>(839,243)</u>	<u>(1,014,341)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ (9,023,699)</u></u>

See accompanying notes.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 6,436,640	\$ 458,481	\$ 0	\$ 6,895,121
Intergovernmental	6,058,732	58,700	780,685	6,898,117
Investment Income	3,101	0	0	3,101
Tuition and Fees	918,535	0	109	918,644
Extracurricular Activities	46,241	0	110,788	157,029
Rentals	1,260	0	0	1,260
Charges for Services	0	0	270,720	270,720
Contributions and Donations	4,110	6,000	47,870	57,980
Payments in Lieu of Taxes	832	0	0	832
Miscellaneous	5,926	0	2,549	8,475
<i>Total Revenues</i>	<u>13,475,377</u>	<u>523,181</u>	<u>1,212,721</u>	<u>15,211,279</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,146,767	158,561	220,134	7,525,462
Special	984,877	0	68,560	1,053,437
Vocational	352,017	0	4,286	356,303
Support Services:				
Pupils	633,514	0	0	633,514
Instructional Staff	477,768	0	27,363	505,131
Board of Education	66,606	0	0	66,606
Administration	1,361,368	8,489	128,216	1,498,073
Fiscal	517,180	8,483	0	525,663
Business	3,879	0	0	3,879
Operation and Maintenance of Plant	935,555	153,031	8,296	1,096,882
Pupil Transportation	1,062,486	207,395	0	1,269,881
Central	331,581	0	31,412	362,993
Extracurricular Activities	412,656	0	126,715	539,371
Operation of Non-Instructional Services:				
Food Service Operations	0	0	626,804	626,804
Capital Outlay	117,162	300,999	0	418,161
Debt Service:				
Principal Retirement	35,555	0	0	35,555
Interest and Fiscal Charges	4,629	0	0	4,629
<i>Total Expenditures</i>	<u>14,443,600</u>	<u>836,958</u>	<u>1,241,786</u>	<u>16,522,344</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(968,223)</u>	<u>(313,777)</u>	<u>(29,065)</u>	<u>(1,311,065)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	5,458	0	0	5,458
Inception of Capital Lease	100,337	0	0	100,337
Insurance Recoveries	28,715	0	0	28,715
Transfers Out	(6,000)	0	0	(6,000)
<i>Total Other Financing Sources (Uses)</i>	<u>128,510</u>	<u>0</u>	<u>0</u>	<u>128,510</u>
<i>Net Change in Fund Balance</i>	(839,713)	(313,777)	(29,065)	(1,182,555)
<i>Fund Balances Beginning of Year</i>	<u>4,319,957</u>	<u>830,297</u>	<u>22,640</u>	<u>5,172,894</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,480,244</u>	<u>\$ 516,520</u>	<u>\$ (6,425)</u>	<u>\$ 3,990,339</u>

See accompanying notes.

**Madison Plains Local School District**  
**Madison County, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(1,182,555)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 657,221	
Current Year Depreciation	<u>(409,709)</u>	247,512
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	22,962	
Excess Costs	(48,318)	
Intergovernmental	<u>23,860</u>	(1,496)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	30,000	
Capital Leases	<u>5,555</u>	35,555
Debt proceeds issued in the governmental funds that increase long-term in the statement of net position are not reported as revenues.		
Inception of Capital Lease	<u>(100,337)</u>	(100,337)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,232,456
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,090,173)
In the statement of activities, interest is accrued on outstanding bonds; and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable		220
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		8,379
Some expenses reported in the statement of activities do not require the use of the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	57,609	
Vacations Payable	(7,088)	
Early Retirement Incentive	<u>11,000</u>	61,521
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>(788,918)</u>

See accompanying notes.



**Madison Plains Local School District**  
**Madison County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 6,722,484	\$ 6,722,484	\$ 6,535,814	\$ (186,670)
Intergovernmental	6,019,334	6,019,334	6,001,782	(17,552)
Investment Income	3,039	3,039	3,101	62
Tuition and Fees	668,484	668,484	842,291	173,807
Rentals	0	0	1,260	1,260
Contributions and Donations	706	706	0	(706)
Payments in Lieu of Taxes	11,896	11,896	4,736	(7,160)
Miscellaneous	38,842	38,842	66,677	27,835
<i>Total Revenues</i>	<u>13,464,785</u>	<u>13,464,785</u>	<u>13,455,661</u>	<u>(9,124)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,129,245	7,157,900	7,217,105	(59,205)
Special	1,069,129	1,092,128	989,365	102,763
Vocational	348,735	348,735	344,377	4,358
Support Services:				
Pupils	724,557	730,633	641,154	89,479
Instructional Staff	534,846	515,546	495,925	19,621
Board of Education	95,404	96,004	86,871	9,133
Administration	1,389,212	1,388,411	1,346,412	41,999
Fiscal	538,123	538,122	516,977	21,145
Business	0	3,350	3,548	(198)
Operation and Maintenance of Plant	904,406	947,997	953,449	(5,452)
Pupil Transportation	1,205,255	1,194,164	1,141,757	52,407
Central	382,395	378,966	383,676	(4,710)
Extracurricular Activities	429,344	429,344	418,815	10,529
Capital Outlay	10,370	10,370	16,825	(6,455)
Debt Service:				
Principal Retirement	30,000	30,000	30,000	0
Interest and Fiscal Charges	2,000	2,000	2,100	(100)
<i>Total Expenditures</i>	<u>14,793,021</u>	<u>14,863,670</u>	<u>14,588,356</u>	<u>275,314</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,328,236)</u>	<u>(1,398,885)</u>	<u>(1,132,695)</u>	<u>266,190</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	5,458	5,458
Refund of Prior Year Expenditures	2,261	2,261	370	(1,891)
Insurance Recoveries	28,000	28,000	28,715	715
Transfers Out	(7,665)	(7,665)	(7,665)	0
<i>Total Other Financing Sources (Uses)</i>	<u>22,596</u>	<u>22,596</u>	<u>26,878</u>	<u>4,282</u>
<i>Net Change in Fund Balance</i>	(1,305,640)	(1,376,289)	(1,105,817)	270,472
<i>Fund Balance Beginning of Year</i>	5,317,845	5,317,845	5,317,845	0
Prior Year Encumbrances Appropriated	174,601	174,601	174,601	0
<i>Fund Balance End of Year</i>	<u>\$ 4,186,806</u>	<u>\$ 4,116,157</u>	<u>\$ 4,386,629</u>	<u>\$ 270,472</u>

See accompanying notes.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2016*

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	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 41,883</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 41,883</u>

See accompanying notes.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$ 382,760
<b>Operating Expenses</b>	
Purchased Services	102,239
Materials and supplies	3,142
Claims	275,000
<i>Total Operating Expenses</i>	<i>380,381</i>
<i>Operating Income (Loss)</i>	<i>2,379</i>
Transfers In	6,000
<i>Change in Net Position</i>	<i>8,379</i>
<i>Net Position Beginning of Year</i>	<i>33,504</i>
<i>Net Position End of Year</i>	<i>\$ 41,883</i>

See accompanying notes.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2016

	Governmental Activities - Internal Service Fund
<hr style="border-top: 3px double #000;"/>	
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 382,760
Cash Paid for Goods and Services	(105,381)
Cash Paid for Claims	(275,000)
<i>Net Cash Provided By (Used For) Operating Activities</i>	2,379
 <b>Cash Flows From Non-Capital Financing Activities</b>	
Transfers from Other Funds	6,000
 <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	8,379
 <i>Cash and Cash Equivalents, Beginning of Year</i>	33,504
 <i>Cash and Cash Equivalents, End of Year</i>	\$ 41,883
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>	
Operating Income (Loss)	\$ 2,379
 <i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 2,379

See accompanying notes.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2016*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 2,952	\$ 128,379
<b>Liabilities</b>		
Accounts Payable	0	\$ 275
Undistributed Monies	0	96,290
Due to Students	0	31,814
<i>Total Liabilities</i>	0	\$ 128,379
<b>Net Position</b>		
Held in Trust for Scholarships	\$ 2,952	

See accompanying notes.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2016*

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	Private Purpose Trust
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	\$ 0
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	2,952
<i>Net Position End of Year</i>	\$ 2,952

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See accompanying notes.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 1 – Description of the School District**

Madison Plains Local School District (the “School District”) was formed in 1968, the result of a consolidation of the Plains District and the Madison South District. This new District covered 270 square miles. The newly appointed Board of Education, Isaiah Call, Donald Dorn, Donald Laird, Marion Moats, and C. B. Stoer, met for the first time on June 22, 1968.

In 1969 the School District operated six buildings: Madison Rural School, which housed kindergarten-fourth, seventh and eighth grades; Midway School with first, third, and fifth grades; South Solon School housed kindergarten, first, second, fourth, and sixth grades; Mt. Sterling School with kindergarten through sixth grades and grades nine through twelve; Fairfield School with students in grades kindergarten through eighth, and, lastly, the Madison South High School housed grades ten, eleven, and twelve. Beginning with the 1971-72 school year, all tenth, eleventh, and twelfth grade students of the School District began to attend the Madison South building.

In 1976, the School District was still operating six buildings, employed 105 certified and 69 noncertified employees with an operating budget of just over two million dollars a year. Property valuation was \$56 million dollars and the School District operated on 22 mills. Student enrollment was 2,013, 40 of whom attended the Tolles Career and Technical Center. In 1978, the South Solon Elementary School was closed and sold. That same year the Madison-Plains High School, housing ninth through twelfth grades, opened for instruction.

Currently, the School District operates a single campus of four buildings, one elementary school housing grades kindergarten through third, one intermediate school housing grades fourth through sixth; one middle school with grades seven and eight; and one high school which houses grades nine through twelve.

The School District is a body political 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 School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

The School District provides regular, vocational and special instruction. The School District also provides support services for the pupils, instructional staff, general and school administration, fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

**Reporting Entity**

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

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are the Miami Valley Educational Computer Association, Tolles Career and Technical Center, and the Ohio School Boards Association Workers' Compensation Group Rating Program and the Southwestern Ohio Educational Purchasing Council. These organizations are presented in Notes 9, 16 and 17 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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



**Madison Plains Local School District**  
**Madison County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

**B. Fund Accounting**

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

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

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

**Permanent Improvement Fund** The permanent improvement fund accounts for all transactions related to acquiring, constructing, or improving of such permanent improvements.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

**Proprietary Fund** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The following is the School District's proprietary fund:

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a health reimbursement account and flexible spending account.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities. The private purpose trust funds account for scholarships.

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***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (revenues) and decreases (expenses) in total net position.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

Private-purpose trust funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements. Agency funds do not report a measurement focus as they do not report operations.

***D. Basis of Accounting***

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

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

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Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10).

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the food service fund as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within “operating grants, contributions and interest” program revenue account.

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

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***E. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each funds interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2016. Certificates of deposit are reported at cost.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

For presentation on the financial statements, investments of the cash management pool and investments with maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. The School District has no investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$3,101, which includes \$508 assigned from other School District funds.

***F. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-20 Years
Buildings and Improvements	25-40 Years
Furniture and Fixtures	3-10 Years
Vehicles	3-10 Years
Infrastructure	10 Years
Textbooks	10-15 Years

***G. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are eligible to receive termination benefits and those the School District had identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

***H. Pensions***

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

***I. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

***J. 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***K. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. 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* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

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*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

***L. Interfund Activity***

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

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "interfund receivables/payables." Interfund balances are eliminated in the governmental activities column of the statement of net position.

***M. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

***N. Estimates***

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

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***O. Budgetary Data***

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2016.

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

***P. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2016, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the School District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.



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GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

**Note 3 – Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

	<u>Amount</u>
<b>Nonmajor Governmental Funds:</b>	
Food Service	\$ 4,095
IDEA, Part B	17,616
Title I	7,005
Improving Teacher Quality	<u>14,124</u>
	<u>\$ 42,840</u>

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

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).

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4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund, some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

GAAP Basis	\$ (839,713)
Net Adjustment for Revenue Accruals	(26,437)
Net Adjustment for Expenditure Accruals	59,842
Funds Budgeted Elsewhere	(16,779)
Adjustment for Encumbrances	<u>(282,730)</u>
 Budget Basis	 <u>\$ (1,105,817)</u>

\*\*As part of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies, public school support and district rotary funds.

**Note 5 – Deposits and Investments**

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

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

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

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

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

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The investment tables identify the School District’s recurring fair value measurement as of June 30, 2016. As discussed Star Ohio is reported at its net value. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate notes rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

***Undeposited Cash*** - At fiscal year-end, the School District had \$150 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

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**Deposits** - At fiscal year-end, the carrying amount of the School District's deposits was \$5,396,290. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2016, \$3,663,144 of the School District's bank balance of \$4,662,669 was exposed to custodial risk as discussed below, while \$1,004,457 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$504,457 held in a STAR Plus account.

**Investments** - As of June 30, 2016, the School District had the following investment and maturity:

<u>Investment Type</u>	<u>Measurement</u>	<u>Maturity (in Months)</u>	<u>Percent</u>
	<u>Amount</u>	<u>0 - 12</u>	<u>of Total</u>
STAR Ohio	<u>\$ 81,176</u>	<u>\$ 81,176</u>	<u>100%</u>

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy is to follow State statute which is to invest funds with the highest interest rate bid.

The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provided a NAV per share that approximates fair value.

For the fiscal year 2016, there was no limitation 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 of \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

**Credit Risk:** The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2016, is 49 days and carries a rating of AAAM by S&P Global Ratings.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk:** The School District investment policy is to be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities. Strategies to achieve this are determined and revised periodically. All investments and deposits are collateralized pursuant to the Ohio Revised Code.

**Note 6 - Property Taxes**

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

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Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Madison County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 in the general and permanent improvement funds was \$219,713, and \$10,315, respectively. The amount available for advance at June 30, 2015, in the general and permanent improvement funds was \$318,887, and \$0, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	<b>2016 First-Half Collections</b>		<b>2015 Second-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real	\$ 314,565,680	92.14%	\$ 314,869,780	92.01%
Commercial/Industrial & Public Utility	11,902,430	3.49%	12,659,180	3.70%
Public Utility Personal Property	14,936,080	4.37%	14,676,880	4.29%
Total	<u>\$ 341,404,190</u>	<u>100.00%</u>	<u>\$ 342,205,840</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 43.35		\$ 43.35	

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**Note 7 - Receivables**

Receivables at June 30, 2016, consisted of taxes, intergovernmental, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be collected within the subsequent year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**Note 8 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/2015	Additions	Adjustment/ Deletions	Balance 6/30/2016
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 202,377	\$ 0	\$ 0	\$ 202,377
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	1,980,502	147,081	0	2,127,583
Buildings and Improvements	8,796,864	169,535	0	8,966,399
Furniture and Fixtures	2,143,604	127,418	0	2,271,022
Vehicles	2,129,877	213,187	0	2,343,064
Infrastructure	45,077	0	0	45,077
Textbooks	738,045	0	0	738,045
<i>Total Capital Assets, Being Depreciated</i>	<u>15,833,969</u>	<u>657,221</u>	<u>0</u>	<u>16,491,190</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,473,761)	(49,615)	0	(1,523,376)
Buildings and Improvements	(4,185,081)	(171,627)	0	(4,356,708)
Furniture and Fixtures	(920,996)	(67,787)	0	(988,783)
Vehicles	(1,665,307)	(98,333)	0	(1,763,640)
Infrastructure	(5,336)	(3,399)	0	(8,735)
Textbooks	(577,986)	(18,948)	0	(596,934)
<i>Total Accumulated Depreciation</i>	<u>(8,828,467)</u>	<u>(409,709)</u>	<u>0</u>	<u>(9,238,176)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>7,005,502</u>	<u>247,512</u>	<u>0</u>	<u>7,253,014</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 7,207,879</u>	<u>\$ 247,512</u>	<u>\$ 0</u>	<u>\$ 7,455,391</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 179,359
Special	1,867
Vocational	11,501
Support Services:	
Board of Education	350
Administration	6,419
Operations and Maintenance	74,589
Pupil Transportation	104,275
Central	6,701
Extracurricular Activities	21,512
Food Service Operations	3,136
<i>Total Depreciation Expense</i>	<i>\$ 409,709</i>

**Note 9 – Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The School District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. In addition, the School District also maintains a \$4,000,000 umbrella liability policy.

The School District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss and replacement cost insurance on buildings and contents in the amount of \$27,263,862 (based on the most recent industrial appraisal). Insurance levels are monitored by the Treasurer and adjusted annually based on current capital assets values.

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

***B. Workers' Compensation***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a three member Board of directors consisting of the President, the 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 Districts pay an enrollment fee to the Program to cover the costs of administering the program.

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The Plan is intended to achieve the benefit of a reduced premium for The School District by virtue of its grouping and representation with other participants in the Plan. 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 Plan.

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 performances is compared to the overall savings percent of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald provides administrative, cost control and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

***C. Employee Medical, Dental and Vision Benefits***

For fiscal year 2016, the School District participated in the Southwestern Ohio Educational Purchasing Council and Medical Insurance and Benefit Plan Trust, a public entity shared risk pool (Note 17). The School District pays monthly premiums to the Trust for employee medical, dental and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**Note 10 - Defined Benefit Pension Plans**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its 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 School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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



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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.

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District's contractually required contribution to SERS was \$327,051 for fiscal year 2016. Of this amount, \$30,006 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee 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 website at [www.strsoh.org](http://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 will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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.

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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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$905,406 for fiscal year 2016. Of this amount, \$151,710 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 16,739,707	\$ 3,949,806	\$ 20,689,513
Proportion of the Net Pension Liability	0.06056975%	0.06922080%	
Pension Expense	\$ 760,552	\$ 329,621	\$ 1,090,173
Change in Proportionate Share Percentage from Prior Year	.00089492%	.0046378%	

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	STRS	SERS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 764,692	\$ 62,105	\$ 826,797
Changes in proportion	0	205,241	205,241
School District contributions subsequent to the measurement date	905,406	327,050	1,232,456
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,670,098</b>	<b>\$ 594,396</b>	<b>\$ 2,264,494</b>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 1,234,105	\$ 102,299	\$ 1,336,404
Changes in proportion	204,682	0	204,682
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,438,787</b>	<b>\$ 102,299</b>	<b>\$ 1,541,086</b>

\$1,232,456 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2017	\$ (332,395)	\$ 27,066	\$ (305,329)
2018	(332,395)	27,066	(305,329)
2019	(332,394)	26,784	(305,610)
2020	323,089	84,131	407,220
	<b>\$ (674,095)</b>	<b>\$ 165,047</b>	<b>\$ (509,048)</b>

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	<u>100.00 %</u>	

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**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 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 earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 5,476,962	\$ 3,949,806	\$ 2,663,815

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 23,252,716	\$ 16,739,707	\$ 11,231,987

**Note 11 - Postemployment Benefits**

**A. School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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](http://www.ohsers.org) under Employers/Audit Resources.

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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care Fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$33,349, \$50,027 and \$31,812, respectively. For fiscal year 2016, 91 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

***B. State Teachers Retirement System***

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$61,225, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.



**Madison Plains Local School District**  
**Madison County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 12 – Other Employee Benefits**

***Compensated Absences***

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

Teachers, Administrators, and Classified employees earn sick leave at a rate of one and one-quarter days per month which may be accumulated up to a maximum of 271 days for classified employees and 280 for certified employees. Upon retirement, payment is made for one-fourth of accrued with a maximum of 62 days for classified employees and 70 days for certified employees.

**Note 13 - Long - Term Obligations**

Energy Conservation Bonds - Energy conservation bonds in the amount of \$319,550 were issued in accordance with Chapter 133 of the Ohio Revised Code on July 1, 2003 with an average annual interest rate of 3.66 percent. The purpose of the energy conservation bonds issued was to reduce energy consumption in buildings owned by the School District. The energy conservation bonds were scheduled to be repaid over a 14 year period with the final payment due on December 1, 2016. The bonds will be retired from the general fund.

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Outstanding 06/30/2015	Additions	Reductions	Outstanding 06/30/2016	Amount Due in One Year
<b>General Obligation Bonds:</b>					
Energy Conservation	\$ 60,000	\$ 0	\$ (30,000)	\$ 30,000	\$ 30,000
<b>Net Pension Liability:</b>					
STRS	14,950,335	1,789,372	0	16,739,707	0
SERS	3,268,509	681,297	0	3,949,806	0
<i>Total Net Pension Liability</i>	<u>18,218,844</u>	<u>2,470,669</u>	<u>0</u>	<u>20,689,513</u>	<u>0</u>
<b>Other Liabilities:</b>					
Compensated Absences	896,852	32,932	(90,541)	839,243	73,744
Early Retirement Incentive	35,000	3,000	(14,000)	24,000	17,000
Capital Lease Payable	0	100,337	(5,555)	94,782	17,548
<i>Total Other Liabilities</i>	<u>931,852</u>	<u>136,269</u>	<u>(110,096)</u>	<u>958,025</u>	<u>108,292</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$ 19,210,696</u>	<u>\$ 2,606,938</u>	<u>\$ (140,096)</u>	<u>\$ 21,677,538</u>	<u>\$ 138,292</u>

Compensated absences and early retirement incentive payable will be paid from the fund from which the employees' salaries are paid which is primarily the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	General Obligation Bond		
	Principal	Interest	Total
2017	\$ 30,000	\$ 713	\$ 30,713

**Note 14 – Capitalized Lease**

During fiscal year 2016, the School District traded in the existing copier lease on a new lease for copiers. The lease met the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service in the basic financial statements for the government funds.

These assets have been capitalized in the governmental capital assets in the amount of \$100,337 the present value of the minimum lease payments at the inception of each lease. A corresponding liability was recorded in the statement of net position and is reduced for each required principal payment. The amortization schedule is based upon the repayment of the entire authorized amount of the lease. There was no accumulated depreciation as of June 30, 2016, leaving a current book value of \$100,337.

Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for governmental funds. These expenditures are reflected as support services- administration on the budgetary basis in the general fund.

The following is a schedule of the future long term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016:

		Copiers
Year ending June 30,	2017	\$ 24,253
	2018	24,253
	2019	24,253
	2020	24,253
	2021	16,167
		113,179
Less amount representing interest		18,397
Present value of minimum lease payments		\$ 94,782

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 15 – Interfund Activity**

**A. Interfund Balances**

Interfund balances at June 30, 2016 consisted of the following:

<u>Fund:</u>	Interfund Receivable	Interfund Payable
General	\$ 29,202	\$ 0
Other Governmental		
IDEA-B	0	8,073
Title I	0	7,005
Title II-A	0	14,124
Total Other Governmental	0	29,202
Total	\$ 29,202	\$ 29,202

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2016, all interfund payables outstanding are anticipated to be repaid in fiscal year 2017.

**B. Interfund Transfers**

During fiscal year 2016, the School District made the following transfers:

<u>Fund:</u>	Transfers In	Transfers Out
General	\$ 0	\$ 6,000
Internal Service	6,000	0
Total	\$ 6,000	\$ 6,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expand them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 16 - Jointly Governed Organizations**

**Miami Valley Educational Computer Association** – The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene and Highland 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 MVECA consists of six representatives from the member districts elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$35,557 for services provided during the fiscal year. Financial information can be obtained from Angie Crandall, Executive Director, at MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

**Tolles Career and Technical Center** - The Tolles Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board of Education consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Tolles Career and Technical Center, 7877 U.S. Route 42, NE, Plain City, Ohio 43064.

**Note 17 – Public Entity Shared Risk Pool**

**Southwestern Ohio Educational Purchasing Council Medical Insurance and Benefit Plan Trust** - The Southwestern Ohio Educational Purchasing Council Medical Insurance and Benefit Plan Trust is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**Note 18 - Contingencies and Significant Commitments**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***B. Litigation***

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

***C. Encumbrances***

Outstanding encumbrances for governmental funds include \$285,291 for the general fund, \$34,015 for the permanent improvement fund and \$8,227 in nonmajor governmental funds.

***D. School District Funding***

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**Note 19 – Statutory Reserves**

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

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

	Capital Acquisition
Set-Aside Restricted Balance as of June 30, 2015	\$ 0
Current Year Set-Aside Requirement	218,226
Current Year Qualifying Expenditures	(837,958)
Totals	\$ (619,732)
Balance Carried Forward to Fiscal Year 2017	\$ 0
Set-Aside Restricted Balance as of June 30, 2016	\$ 0

The School District had qualifying expenditures during the fiscal year that reduced the capital acquisition set-aside below zero. This amount may not be carried forward to reduce the set-aside requirement for future years.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 20 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
Restricted for:				
Capital Outlay	\$ 0	\$ 516,520	\$ 0	\$ 516,520
Other Purposes	0	0	36,415	36,415
Total Restricted	<u>0</u>	<u>516,520</u>	<u>36,415</u>	<u>552,935</u>
Assigned for:				
Instruction	68,731	0	0	68,731
Support Services	165,989	0	0	165,989
Extracurricular Activities	3,112	0	0	3,112
Subsequent Year Appropriations	982,583	0	0	982,583
Other Purposes	76,746	0	0	76,746
Total Assigned	<u>1,297,161</u>	<u>0</u>	<u>0</u>	<u>1,297,161</u>
Unassigned	<u>2,183,083</u>	<u>0</u>	<u>(42,840)</u>	<u>2,140,243</u>
<i>Total Fund Balance</i>	<u>\$ 3,480,244</u>	<u>\$ 516,520</u>	<u>\$ (6,425)</u>	<u>\$ 3,990,339</u>

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*Last Three Fiscal Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>			
School District's Proportion of the Net Pension Liability	0.06056975%	0.06146467%	0.06146467%
School District's Proportionate Share of the Net Pension Liability	\$ 16,739,707	\$ 14,950,335	\$ 17,808,741
School District's Covered-Employee Payroll	\$ 6,564,457	\$ 6,122,454	\$ 6,025,754
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	255.01%	244.19%	295.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%
<b><i>School Employees Retirement System (SERS)</i></b>			
School District's Proportion of the Net Pension Liability	0.06922080%	0.06458300%	0.06458300%
School District's Proportionate Share of the Net Pension Liability	\$ 3,949,806	\$ 3,268,509	\$ 3,840,544
School District's Covered-Employee Payroll	\$ 2,397,891	\$ 2,223,203	\$ 2,188,945
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	164.72%	147.02%	175.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

**Madison Plains Local School District**  
**Madison County, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 905,406	\$ 919,024	\$ 795,919	\$ 783,348
Contributions in Relation to the Contractually Required Contribution	<u>(905,406)</u>	<u>(919,024)</u>	<u>(795,919)</u>	<u>(783,348)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered-Employee Payroll	\$ 6,467,186	\$ 6,564,457	\$ 6,122,454	\$ 6,025,754
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%
 <b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution	\$ 327,051	\$ 316,042	\$ 308,136	\$ 302,950
Contributions in Relation to the Contractually Required Contribution	<u>(327,051)</u>	<u>(316,042)</u>	<u>(308,136)</u>	<u>(302,950)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered-Employee Payroll	\$ 2,336,079	\$ 2,397,891	\$ 2,223,203	\$ 2,188,945
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

n/a - Information prior to 2008 is not available.



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 813,510	\$ 820,696	\$ 787,570	\$ 727,974	\$ 697,421	\$ 670,419
<u>(813,510)</u>	<u>(820,696)</u>	<u>(787,570)</u>	<u>(727,974)</u>	<u>(697,421)</u>	<u>(670,419)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 6,257,769	\$ 6,313,046	\$ 6,058,231	\$ 5,599,800	\$ 5,364,777	\$ 5,157,069
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 228,871	\$ 226,424	\$ 229,108	\$ 238,722	\$ 230,431	n/a
<u>(228,871)</u>	<u>(226,424)</u>	<u>(229,108)</u>	<u>(238,722)</u>	<u>(230,431)</u>	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a
\$ 1,701,643	\$ 1,801,305	\$ 1,692,083	\$ 2,426,037	\$ 2,346,548	n/a
13.45%	12.57%	13.54%	9.84%	9.82%	n/a

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**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through The Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	N/A	10.553	\$ 99,675	\$ 99,675
National School Lunch Program	N/A	10.555	217,903	217,903
Cash Assistance			317,578	317,578
Non-Cash Assistance (Food Distribution)	N/A	10.555	35,209	35,209
Total Child Nutrition Cluster			<u>352,787</u>	<u>352,787</u>
<b>Total U.S. Department of Agriculture</b>			<u>352,787</u>	<u>352,787</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through The Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2016	84.010	157,917	164,922
Title I Grants to Local Educational Agencies	2015	84.010	35,655	34,300
Total Title I Grants to Local Educational Agencies			<u>193,572</u>	<u>199,222</u>
Special Education Grants to States	2016	84.027	163,188	171,260
Special Education Grants to States	2015	84.027	48,617	46,078
Total Special Education Grants to States			<u>211,805</u>	<u>217,338</u>
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2015	84.395	1,455	-
Total State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants			<u>1,455</u>	<u>-</u>
Title II-A Improving Teacher Quality State Grants	2016	84.367	44,033	46,351
Title II-A Improving Teacher Quality State Grants	2015	84.367	4,513	3,222
Title II-A Improving Teacher Quality State Grants	2013	84.367	-	592
Total Title II-A Improving Teacher Quality State Grants			<u>48,546</u>	<u>50,165</u>
<b>Total – U.S. Department of Education</b>			<u>455,378</u>	<u>466,725</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 808,165</u>	<u>\$ 819,512</u>

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Note A – Significant Accounting Policies**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) includes the federal award activity of **Madison-Plains Local School District**, Madison County, Ohio (the School District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**Note B – Summary of Significant Accounting Policies**

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

**Note C – Child Nutrition Cluster**

The School District comingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**Note D – Food Donation**

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



428 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

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

December 30, 2016

Madison Plains Local School District  
Madison County  
55 Linson Road  
London, Ohio 43144

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Madison Plains Local School District**, Madison County (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 30, 2016.

***Internal Control Over Financial Reporting***

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

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

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



***...“bringing more to the table”***

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



428 Second St.  
Marietta, OH 45750  
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1907 Grand Central Ave.  
Vienna, WV 26105  
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104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

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

December 30, 2016

Madison Plains Local School District  
Madison County  
55 Linson Road  
London, Ohio 43144

To the Board of Education:

***Report on Compliance for Each Major Federal Program***

We have audited the **Madison Plains Local School District's** (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Madison Plains Local School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the School District's major federal programs.

***Management's Responsibility***

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

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

***... "bringing more to the table"***

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



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

***Opinion on Each Major Federal Program***

In our opinion, the Madison Plains Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2016.

***Report on Internal Control Over Compliance***

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

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

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

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

SCHEDULE OF AUDIT FINDINGS  
2 CRF § 200.515  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I Cluster, CFDA #84.010 Special Education Cluster, CFDA #84.027
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**MADISON-PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2015-001	Posting Receipts	Yes	N/A



# Dave Yost • Auditor of State

**MADISON – PLAINS LOCAL SCHOOL DISTRICT**

**MADISON COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 6, 2017**