



Dave Yost • Auditor of State

MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	
June 30, 2014	13
Statement of Activities	
For the Fiscal Year Ended June 30, 2014.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	
June 30, 2014.....	15
Reconciliation of Total Governmental Fund Balances	
To Net Position of Governmental Activities	
June 30, 2014	16
Statement of Revenues, Expenditures and Changes in Fund Balances	
Governmental Funds	
For the Fiscal Year Ended June 30, 2014	17
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, 2014	18
Statement of Revenues, Expenditures, and Changes	
In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)	
General Fund for the Fiscal Year Ended June 30, 2014	19
Statement of Fiduciary Net Position – Fiduciary Funds	
June 30, 2014	20
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	
For the Fiscal Year Ended June 30, 2014	21
Notes to the Basic Financial Statements	23
Independent Auditor's Report on Internal Control Over Financial	
Reporting and On Compliance and Other Matters	
Required by <i>Government Auditing Standards</i>	47

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mariemont City School District
Hamilton County
2 Warrior Way
Cincinnati, Ohio 45227

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 Mariemont City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mariemont City School District, Hamilton County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund 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*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 30, 2015

Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The discussion and analysis of Mariemont City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position of governmental activities increased \$1,445,276 which represents a 17% increase from 2013.
- General revenues accounted for \$23,796,524 in revenue or 93% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,838,082 or 7% of total revenues of \$25,634,606.
- The District had \$24,189,330 in expenses related to governmental activities; \$1,838,082 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,796,524 were also used to provide for these programs.

Overview of the Financial Statements

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

The *Government-wide Financial Statements* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. *Fund financial statements* provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and Bond Retirement Fund are the major funds of the District.

Government-Wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Government-wide Financial Statements answer this question. These statements include *all assets and liabilities* 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.

Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities – All of the District's programs and services are reported as Governmental Activities including instruction, support services, operation of noninstructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds are presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

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

The District as a Whole

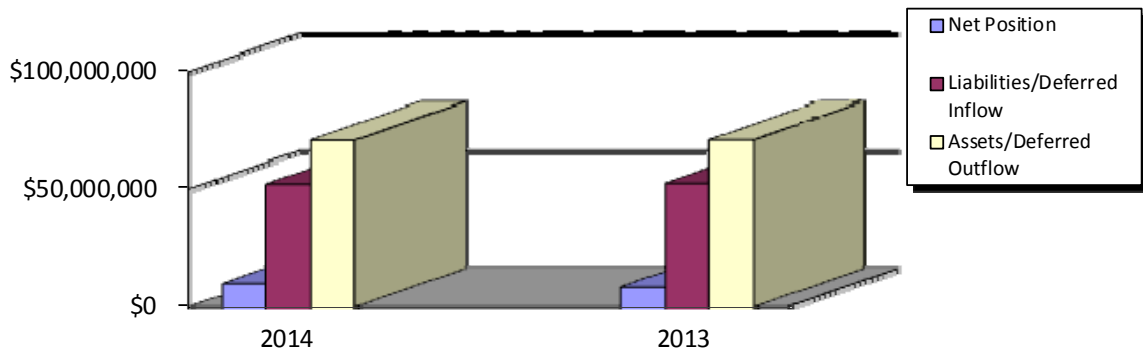
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

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Mariemont City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2014	2013
Assets:		
Current and Other Assets	\$26,203,934	\$24,881,713
Capital Assets	44,755,381	46,188,225
Total Assets	70,959,315	71,069,938
Total Deferred Outflows of Resources	1,025,603	0
Liabilities:		
Other Liabilities	2,226,577	2,328,439
Long-Term Liabilities	50,006,913	50,298,528
Total Liabilities	52,233,490	52,626,967
Total Deferred Inflows of Resources	9,698,116	9,834,935
Net Position:		
Net Investment in Capital Assets	(3,601,016)	(2,960,835)
Restricted	1,924,635	2,246,405
Unrestricted	11,729,693	9,322,466
Total Net Position	\$10,053,312	\$8,608,036



Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2014, the District’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,053,312.

At year-end, capital assets represented 63% of total assets. Capital assets include land, buildings and improvements, equipment; and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2014, was (\$3,601,016). These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of

Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,924,635 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets decreased from the prior year mainly due to the District's capital asset depreciation being greater than capital asset additions. Long-term liabilities remained relatively consistent from 2013 to 2014.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

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Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013
Revenues:		
Program Revenues		
Charges for Services	\$903,046	\$762,262
Operating Grants, Contributions	935,036	481,455
General Revenues:		
Property Taxes	17,788,163	16,645,245
Grants and Entitlements	5,924,799	5,044,331
Investment Earnings	30,629	0
Other	52,933	1,544,549
Total Revenues	25,634,606	24,477,842
Program Expenses:		
Instruction	13,941,239	11,485,441
Support Services:		
Pupil and Instructional Staff	2,418,950	2,879,071
School Administrative, General		
Administration, Fiscal and Business	1,956,957	2,073,790
Operations and Maintenance	2,101,900	4,703,358
Pupil Transportation	840,397	890,637
Central	120,285	374,131
Operation of Non-Instructional Services	383,015	275,279
Extracurricular Activities	852,976	866,012
Interest and Fiscal Charges	1,573,611	1,425,234
Total Program Expenses	24,189,330	24,972,953
Change in Net Position	1,445,276	(495,111)
Net Position - Beginning of Year	8,608,036	9,103,147
Net Position - End of Year	<u>\$10,053,312</u>	<u>\$8,608,036</u>

The District revenues are mainly from two sources. Property taxes levied for general and debt service purposes, and grants and entitlements comprised 93% of the District's revenues for governmental activities.

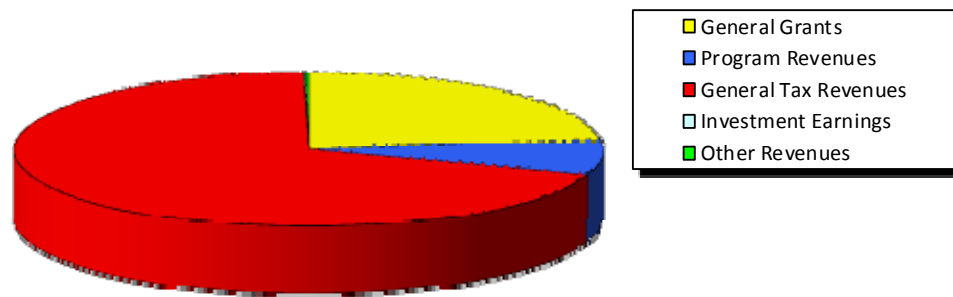
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner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

Mariemont City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 69% of revenue for governmental activities for the District in fiscal year 2014.

Governmental Activities
Revenue Sources

		<u>Percentage</u>
General Grants	\$5,924,799	23.10%
Program Revenues	1,838,082	7.20%
General Tax Revenues	17,788,163	69.40%
Investment Earnings	30,629	0.10%
Other Revenues	<u>52,933</u>	<u>0.20%</u>
Total Revenue Sources	<u>\$25,634,606</u>	<u>100.00%</u>



Instruction comprises 58% of governmental program expenses. Support services expenses were 31% of governmental program expenses. All other expenses including interest expense were 11%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District’s overall financial position improved from 2013 to 2014. Program revenues increased from the prior year due to an increase in operation grants and contributions (Federal grant monies received). General revenues increased due to an increase in tax monies received.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. These services are mainly supported by tax revenue and unrestricted State entitlements.

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Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Instruction	\$13,941,239	\$11,485,441	(\$13,169,018)	(\$10,975,263)
Support Services:				
Pupil and Instructional Staff	2,418,950	2,879,071	(2,220,788)	(2,705,183)
School Administrative, General				
Administration, Fiscal and Business	1,956,957	2,073,790	(1,956,957)	(2,073,790)
Operations and Maintenance	2,101,900	4,703,358	(2,101,900)	(4,688,715)
Pupil Transportation	840,397	890,637	(809,036)	(890,637)
Central	120,285	374,131	(120,285)	(366,931)
Operation of Non-Instructional Services	383,015	275,279	(29,557)	(79,361)
Extracurricular Activities	852,976	866,012	(370,096)	(524,122)
Interest and Fiscal Charges	1,573,611	1,425,234	(1,573,611)	(1,425,234)
Total Expenses	<u>\$24,189,330</u>	<u>\$24,972,953</u>	<u>(\$22,351,248)</u>	<u>(\$23,729,236)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Bond Retirement Fund. Assets of the General Fund comprised \$23,014,625 (88%). The Bond Retirement Fund comprised \$2,695,896 (10%) of the total \$26,203,934 governmental funds' assets.

General Fund: Fund balance at June 30, 2014 was \$11,722,481 including \$11,079,287 of unassigned balance. The District had an increase in fund balance of \$1,447,196. One of the causes for the increase in fund balance was an increase in property tax revenue.

Bond Retirement Fund: Fund balance at June 30, 2014 was \$1,495,485 with an increase in fund balance of \$105,383. The positive fund balance is due to revenues exceeding expenditures in 2014; which is consistent with prior year.

General Fund Budgeting Highlights

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

The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$20,295,323, compared to original budget estimates of \$20,295,323.

The District's unobligated cash balance for the General Fund was \$7,556,892.

Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$44,755,381 invested in land, buildings and improvements, equipment, and vehicles. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$1,110,469	\$1,110,469
Buildings and Improvements	42,600,648	43,237,178
Furniture and Equipment	1,020,594	1,810,305
Vehicles	23,670	30,273
Total Net Capital Assets	<u>\$44,755,381</u>	<u>\$46,188,225</u>

Total Net Capital Assets decreased in 2014 as compared to 2013 because depreciation expense was greater than current year additions.

See Note 7 to the Basic Financial Statements for further details on the District's capital assets.

Debt

At June 30, 2014, the District had \$49,382,000 in debt outstanding, \$942,960 due within one year. Table 5 summarizes total debt outstanding.

Table 5
Outstanding Debt at Year End

	2014	2013
General Obligation Bonds Payable:		
Certificate of Participation	\$1,800,000	\$1,885,000
Permanent Improvement Bonds 2010 BABs	28,285,000	28,455,000
Permanent Improvement Bonds 2010 QSCB	10,935,000	11,035,000
Permanent Improvement Bonds 2005	5,525,000	5,610,000
Permanent Improvement Bonds 2001	350,000	700,000
Premium on Bonds	1,135,841	1,163,962
Capital Leases	1,351,159	1,464,060
Total Outstanding Debt at Year End	<u>\$49,382,000</u>	<u>\$50,313,022</u>

See Notes 8 and 9 to the Basic Financial Statements for further details on the District's obligations.

Economic Outlook

The Ohio Department of Education explains the school funding model in Ohio as follows:

Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The funding of K-12 public schools in Ohio is a joint effort between the state and local school districts. Since the 1970s through FY 2009, with the exception of a few years, Ohio's funding formula was foundation based by means of which a per pupil amount determined by the General Assembly as the per-pupil resource for provision of a basic adequate education was multiplied by the number of pupils to determine the base funding of the school districts. From this product, the local share of the basic adequate amount or the charge off was subtracted to arrive at the state share of the base funding. Additional funding was also provided for services targeted to categories of pupils such as handicapped, vocational, gifted, and economically disadvantaged as well as some adjustments and funding guarantees.

The 2010-11 biennial budget (Am. Sub. HBI of the 128th General Assembly) established another new funding formula called the Evidence-Based Model (EBM). Am. Sub. HB 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula, the Bridge Formula, for the 12-13 school year as a new funding formula was developed. The State revised the funding model in June, 2013 and adopted HB 59, the FY 14 and FY 15 biennium budget which again changed our funding formula, but not our funding. Under this new model, the District is projected to receive additional revenue in FY 14 and FY 15.

Given the uncertainty of the school funding formula and the economic conditions within the State, the level at which the State will fund schools in the future remains uncertain. The District remains concerned about the instability of the state economy and the political ramifications of changing the funding formula every two years. We plan carefully and prudently to provide resources to meet the needs of our students but the uncertainty of state funding challenges our planning.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for money it receives. If you have questions about this report or need additional financial information, contact Tom Golinar, Treasurer at Mariemont City School District, 2 Warrior Way, Mariemont, OH 45227 or e-mail him at TGolinar@MariemontSchools.org.

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Mariemont City School District, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$8,670,162
Restricted Cash and Investments	140,000
Receivables (Net):	
Taxes	17,337,309
Accounts	43,339
Interest	4,547
Inventory	8,577
Nondepreciable Capital Assets	1,110,469
Depreciable Capital Assets, Net	<u>43,644,912</u>
 Total Assets	 <u>70,959,315</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding	<u>1,025,603</u>
 Total Deferred Outflows of Resources	 <u>1,025,603</u>
Liabilities:	
Accounts Payable	19,672
Accrued Wages and Benefits	2,075,746
Accrued Interest Payable	131,159
Long-Term Liabilities:	
Due Within One Year	1,123,091
Due In More Than One Year	<u>48,883,822</u>
 Total Liabilities	 <u>52,233,490</u>
Deferred Inflows of Resources:	
Property Taxes	<u>9,698,116</u>
 Total Deferred Inflows of Resources	 <u>9,698,116</u>
Net Position:	
Net Investment in Capital Assets	(3,601,016)
Restricted for:	
Debt Service	1,441,477
Capital Projects	200,838
District Managed Activities	125,541
Auxiliary Services	19,655
Food Service	14,639
Federal Grants	17,994
Other Purposes	104,491
Unrestricted	<u>11,729,693</u>
 Total Net Position	 <u>\$10,053,312</u>

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$11,392,540	\$222,726	\$47,245	(\$11,122,569)
Special	2,431,982	14,131	486,054	(1,931,797)
Adult	678	2,065	0	1,387
Other	116,039	0	0	(116,039)
Support Services:				
Pupil	1,509,342	0	156,306	(1,353,036)
Instructional Staff	909,608	0	41,856	(867,752)
General Administration	11,812	0	0	(11,812)
School Administration	1,393,333	0	0	(1,393,333)
Fiscal	549,906	0	0	(549,906)
Business	1,906	0	0	(1,906)
Operations and Maintenance	2,101,900	0	0	(2,101,900)
Pupil Transportation	840,397	0	31,361	(809,036)
Central	120,285	0	0	(120,285)
Operation of Non-Instructional Services	383,015	181,244	172,214	(29,557)
Extracurricular Activities	852,976	482,880	0	(370,096)
Interest and Fiscal Charges	1,573,611	0	0	(1,573,611)
Totals	\$24,189,330	\$903,046	\$935,036	(22,351,248)

General Revenues:

Property Taxes Levied for:

General Purposes	15,763,176
Debt Service Purposes	2,024,987
Grants and Entitlements, Not Restricted	5,924,799
Unrestricted Contributions	13,094
Investment Earnings	30,629
Other Revenues	39,839

Total General Revenues 23,796,524

Change in Net Position 1,445,276

Net Position - Beginning of Year 8,608,036

Net Position - End of Year \$10,053,312

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$7,501,221	\$685,485	\$483,456	\$8,670,162
Restricted Cash and Investments	140,000	0	0	140,000
Receivables (Net):				
Taxes	15,326,898	2,010,411	0	17,337,309
Accounts	41,959	0	1,380	43,339
Interest	4,547	0	0	4,547
Inventory	0	0	8,577	8,577
Total Assets	23,014,625	2,695,896	493,413	26,203,934
Liabilities:				
Accounts Payable	15,345	0	4,327	19,672
Accrued Wages and Benefits	2,069,818	0	5,928	2,075,746
Compensated Absences	156,334	0	0	156,334
Total Liabilities	2,241,497	0	10,255	2,251,752
Deferred Inflows of Resources:				
Property Taxes	9,046,898	1,200,411	0	10,247,309
Investment Earnings	3,749	0	0	3,749
Total Deferred Inflows of Resources	9,050,647	1,200,411	0	10,251,058
Fund Balances:				
Restricted	0	1,495,485	483,158	1,978,643
Assigned	643,194	0	0	643,194
Unassigned	11,079,287	0	0	11,079,287
Total Fund Balances	11,722,481	1,495,485	483,158	13,701,124
Total Liabilities, Deferred Inflows and Fund Balances	\$23,014,625	\$2,695,896	\$493,413	\$26,203,934

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance		\$13,701,124
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets used in the operation of Governmental Funds		44,755,381
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	549,193	
Interest	<u>3,749</u>	
		552,942

In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.

(131,159)

Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.

Compensated Absences		(468,579)
----------------------	--	-----------

Deferred outflow of resources associated with long-term liabilities are not reported in the funds.

1,025,603

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

(49,382,000)

Net Position of Governmental Activities

\$10,053,312

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$15,715,004	\$2,021,778	\$0	\$17,736,782
Tuition and Fees	233,795	0	0	233,795
Investment Earnings	26,858	20	2	26,880
Intergovernmental	5,992,261	254,399	613,175	6,859,835
Extracurricular Activities	46,300	0	435,667	481,967
Charges for Services	0	0	160,115	160,115
Other Revenues	70,965	0	9,137	80,102
Total Revenues	22,085,183	2,276,197	1,218,096	25,579,476
Expenditures:				
Current:				
Instruction:				
Regular	10,282,826	0	11,783	10,294,609
Special	2,199,850	0	226,867	2,426,717
Adult	678	0	0	678
Other	116,039	0	0	116,039
Support Services:				
Pupil	1,385,916	0	156,306	1,542,222
Instructional Staff	846,180	0	39,862	886,042
General Administration	11,812	0	0	11,812
School Administration	1,367,259	4,667	0	1,371,926
Fiscal	513,618	24,956	0	538,574
Business	1,389	0	0	1,389
Operations and Maintenance	2,066,937	0	0	2,066,937
Pupil Transportation	793,550	0	0	793,550
Central	118,756	0	0	118,756
Operation of Non-Instructional Services	0	0	349,784	349,784
Extracurricular Activities	459,532	0	392,018	851,550
Capital Outlay	110,744	0	99,623	210,367
Debt Service:				
Principal Retirement	197,901	705,000	0	902,901
Interest and Fiscal Charges	140,877	1,436,191	0	1,577,068
Total Expenditures	20,613,864	2,170,814	1,276,243	24,060,921
Excess of Revenues Over (Under) Expenditures	1,471,319	105,383	(58,147)	1,518,555
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	877	0	0	877
Transfers In	0	0	25,000	25,000
Transfers (Out)	(25,000)	0	0	(25,000)
Total Other Financing Sources (Uses)	(24,123)	0	25,000	877
Net Change in Fund Balance	1,447,196	105,383	(33,147)	1,519,432
Fund Balance - Beginning of Year	10,275,285	1,390,102	516,305	12,181,692
Fund Balance - End of Year	\$11,722,481	\$1,495,485	\$483,158	\$13,701,124

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Funds \$1,519,432

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	206,135	
Depreciation Expense	<u>(1,630,293)</u>	
		(1,424,158)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (8,686)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	51,381	
Interest	<u>3,749</u>	
		55,130

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 902,901

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. (4,806)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	397,200	
Amortization of Bond Premium	28,935	
Amortization of Deferred Charge on Refunding	(19,858)	
Amortization of Bond Discount	<u>(814)</u>	
		<u>405,463</u>

Change in Net Position of Governmental Activities \$1,445,276

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$14,311,138	\$14,311,138	\$15,234,304	\$923,166
Tuition and Fees	217,405	217,405	231,429	14,024
Investment Earnings	25,029	25,029	26,644	1,615
Intergovernmental	5,629,143	5,629,143	5,992,261	363,118
Extracurricular Activities	42,780	42,780	45,540	2,760
Other Revenues	69,828	69,828	74,332	4,504
Total Revenues	20,295,323	20,295,323	21,604,510	1,309,187
Expenditures:				
Current:				
Instruction:				
Regular	10,050,613	10,050,613	9,895,186	155,427
Special	2,175,272	2,175,272	2,141,633	33,639
Adult	758	758	746	12
Other	129,741	129,741	127,735	2,006
Support Services:				
Pupil	1,406,841	1,406,841	1,385,085	21,756
Instructional Staff	914,503	914,503	900,361	14,142
General Administration	13,234	13,234	13,029	205
School Administration	1,486,982	1,486,982	1,463,987	22,995
Fiscal	576,733	576,733	567,814	8,919
Business	1,553	1,553	1,529	24
Operations and Maintenance	2,329,187	2,329,187	2,293,168	36,019
Pupil Transportation	887,258	887,258	873,537	13,721
Central	192,643	192,643	189,664	2,979
Extracurricular Activities	500,382	500,382	492,644	7,738
Capital Outlay	189,637	189,637	186,704	2,933
Debt Service:				
Principal Retirement	185,069	187,976	185,069	2,907
Interest and Fiscal Charges	159,030	156,123	153,709	2,414
Total Expenditures	21,199,436	21,199,436	20,871,600	327,836
Excess of Revenues Over (Under) Expenditures	(904,113)	(904,113)	732,910	1,637,023
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	824	824	877	53
Advances In	9,394	9,394	10,000	606
Advances (Out)	(10,157)	(10,157)	(10,000)	157
Transfers In	23,485	23,485	25,000	1,515
Transfers (Out)	(50,785)	(50,785)	(50,000)	785
Total Other Financing Sources (Uses)	(27,239)	(27,239)	(24,123)	3,116
Net Change in Fund Balance	(931,352)	(931,352)	708,787	1,640,139
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	6,848,105	6,848,105	6,848,105	0
Fund Balance - End of Year	\$5,916,753	\$5,916,753	\$7,556,892	\$1,640,139

See accompanying notes to the

Mariemont City School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$85,241</u>	<u>\$42,343</u>
Total Assets	<u>85,241</u>	<u>42,343</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>42,343</u>
Total Liabilities	<u>0</u>	<u>\$42,343</u>
Net Position:		
Held in Trust	<u>85,241</u>	
Total Net Position	<u>\$85,241</u>	

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions:	
Investment Earnings	<u>\$152</u>
Total Additions	<u>152</u>
Deductions:	
Other	<u>250</u>
Total Deductions	<u>250</u>
Change in Net Position	(98)
Net Position - Beginning of Year	<u>85,339</u>
Net Position - End of Year	<u>\$85,241</u>

See accompanying notes to the basic financial statements.

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Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Description of the District

The District was chartered by the Ohio State Legislature. In 1853 state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 60 non-certificated personnel and 129 certificated full time teaching and administrative personnel to provide services to students and other community members. The District is the 15th largest in Hamilton County (among 22 Districts) in terms of enrollment. It currently operates 2 elementary schools, 1 junior high school (grades 7-8), and 1 high school (grades 9-12).

Reporting Entity

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

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

The District is associated with two organizations that are defined as jointly governed organizations. These organizations are H/CCA and Great Oaks Institute of Technology and Career Development and are presented in Note 15 to the Purpose Financial Statements.

Note 2 – Summary of Significant Accounting Policies

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

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Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Basis of Presentation

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fund Accounting

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

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Governmental Funds

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

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

Bond Retirement Fund - The bond retirement fund is used for the accumulation of resources for and the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

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

Fiduciary Funds

Fiduciary Funds report on net position and changes in net position. The District's fiduciary funds consist of a private-purpose trust fund and agency funds. The District's private-purpose trust fund accounts for scholarship programs for students from the Fairfax attendance area. These assets are not available for the District's use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District accounts for student activities in its agency funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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 District, available means expected to be received within sixty days of fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District these amounts consist of taxes and grants which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

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 operating statement as an expense with a like amount reported as donated commodities revenue.

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

Budgetary Data

Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are:

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

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Expenditures are recorded when encumbered, or paid in cash (budgetary), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the budget, which includes amendments, for the General Fund by expenditure function and revenue by source are presented in the *Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)*. The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District adopts an annual budget for all governmental fund types. The specific timetable is as follows:

Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.

Prior to April 1, the Board of Education accepts by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amount set forth in the final Amended Certificate.

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, level of expenditures, which are the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2014 and none were significant. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Encumbrances

Encumbrance accounting is utilized by District Funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, level. Governmental fund type encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP basis, and for all budgeted funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 13 provides a reconciliation of the budgetary basis and GAAP basis of accounting.

Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2014, \$26,858 was credited to the general fund, \$20 was credited to the bond retirement fund, and \$2 was credited to other governmental funds.

Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. (If a quoted market price is not available, the methods and significant assumptions used to estimate the fair value of investments must be disclosed.) Non-participating investment contracts such as repurchase agreements and non-negotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio), during fiscal year 2014. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2014.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve as required by State statute.

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Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Cash Balance as of June 30, 2013	\$0	\$140,000
Current Year Set-Aside Requirements	286,346	0
Qualified Disbursements	(105,901)	0
Current year Offsets	(180,445)	0
Set Aside Reserve Balance as of June 30, 2014	<u>\$0</u>	<u>\$140,000</u>
Set-Aside Cash as of June 30, 2014	<u>\$0</u>	<u>\$140,000</u>

Effective July 1, 2011, the textbook reserve requirement was eliminated; therefore, no balance or other information is presented.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated food, purchased food, and school supplies held for resale and are expensed when used.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements but are not reported in the governmental 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 three thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

All reported capital assets except land and construction in progress 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>
Buildings and Improvements	10-40 years
Furniture and Equipment	5-15 years
Vehicles	10 years

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u> How Earned	<u>Certified</u> Not Eligible	<u>Administrators</u> 25 days	<u>Non-Certificated</u> 10-20 days for each service year, depending on length of service
Maximum Accumulation	Not Applicable	25 days	20 days
Vested	Not Applicable	25 days	20 days
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u> How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	230 days	Contract days	230 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per contract	Per contract	Per contract

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

Accrued Liabilities And Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions 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 fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Position

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

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

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.

Unamortized Bond Issuance Costs/Bond Premium And Discount

On government-wide financial statements, bond issuance costs are recognized in the current period.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental financial statements, issuance costs and bond premiums are recognized in the current period.

Fund Balance

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

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

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Restricted – 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.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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.

Note 3 – Fund Balance/Net Position Deficit

The District had no deficit fund balances during the 2014 fiscal year.

Note 4 - Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments".

State Statute requires the classification of monies held by the District into three categories:

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

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

Protection of 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.

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investment pool (STAR Ohio);

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

- (7) Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year-end, \$4,056,614 of the District's bank balance of \$6,641,614 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments

As of June 30, 2014, the District had the following investments:

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Star Ohio	2,712,168	0.14
U.S. Money Market Funds	27,079	
	<u>\$2,739,247</u>	
Portfolio Weighted Average Maturity		0.14

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair value by limiting the maximum maturity of investments in its portfolio to five years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The District’s investments in the U.S. Money Market Funds were rated AAA by Standard & Poor’s. Investments in STAR Ohio were rated AAAM by Standard & Poor’s.

Concentration of Credit Risk – Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District is required to disclose the amount of investments with any one issuer that represent five percent or more of total investments.

Custodial credit risk is the risk that in the event of a failure of a counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment securities are registered in the name of the District.

Note 5 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at twenty-five percent of true value (as defined). In 2013, each business was eligible to receive a \$10,000 exemption in assessed value, which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2014, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes that are measurable at June 30, 2014. Property tax advances available at year end and delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2014. All other tax receivables are recorded with an offset credit to deferred revenue, because although measurable, they are intended to finance the next fiscal year's operations.

Property taxes include amounts levied against real, public utility and tangible personal (business) property.

The assessed value, by property classification, upon which taxes collected in 2014 were based are as follows:

	<u>Amount</u>
Tangible Personal Property	\$10,374,650
Real Property	<u>327,816,380</u>
Total	<u><u>\$338,191,030</u></u>

Note 6 – Receivables

Receivables at June 30, 2014 consisted of taxes, accounts receivable, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose of the nonpayment of taxes, the stable condition of State Programs, and the current year guarantee of Federal Funds.

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Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,110,469	\$0	\$0	\$1,110,469
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	49,469,118	775,612	0	50,244,730
Furniture and Equipment	6,509,012	67,554	644,615	5,931,951
Vehicles	461,854	11,985	86,737	387,102
Totals at Historical Cost	<u>\$57,550,453</u>	<u>\$855,151</u>	<u>\$731,352</u>	<u>\$57,674,252</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$6,231,940	\$1,412,142	\$0	\$7,644,082
Furniture and Equipment	\$4,698,707	\$212,650	\$0	4,911,357
Vehicles	431,581	5,501	73,650	363,432
Total Accumulated Depreciation	<u>11,362,228</u>	<u>1,630,293</u>	<u>73,650</u>	<u>12,918,871</u>
Governmental Activities Capital Assets, Net	<u>\$46,188,225</u>	<u>(\$775,142)</u>	<u>\$657,702</u>	<u>\$44,755,381</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,328,441
Special	47,917
Support Services:	
Pupils	6,369
Instructional Staff	31,975
School Administration	76,702
Business	517
Operations and Maintenance	39,540
Pupil Transportation	46,601
Operation of Non-Instructional Services	33,231
Extracurricular Activities	19,000
Total Depreciation Expense	<u>\$1,630,293</u>

Note 8 – Capitalized Leases - Lessee

In prior years, the District has entered into capitalized leases for the acquisition of phone, office, musical and energy conservation equipment and building improvements. The terms of each equipment lease agreement provide options to purchase the equipment. The cost of equipment under capital lease at June 30, 2014 is \$985,668. The cost of building improvements under capital lease at June 30, 2014 is \$1,078,600. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

that transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service in the basic financial statements for the governmental funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014.

Fiscal Year <u>Ending June 30</u>	<u>Amount</u>
2015	\$177,005
2016	175,515
2017	175,387
2018	175,578
2019	176,282
2020-2024	730,104
2025	<u>70,520</u>
Total Minimum Lease Payments	1,680,391
Less: Amounts representing interest	<u>329,232</u>
Present Value of Minimum Lease Payments	<u><u>\$1,351,159</u></u>

Note 9 - Long-Term Liabilities

In 2012, the District issued \$1,995,000 of certificates of participation. The purpose of the certificates was to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment.

In 2011, the District issued \$39,800,000 of general obligation bonds. The purpose of the bonds was to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment.

In 2005, the District issued \$5,124,989 in general obligation refunding bonds to provide resources that were placed in an irrevocable trust for the purpose of providing resources for all future debt service payments of \$4,382,067 of general obligations bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets

In 2001, the District issued \$8,015,722 of general obligation bonds (which were partially refunded in 2005 as discussed above). The purpose of the bonds was to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The following changes occurred in long-term liabilities during the year ended June 30, 2014:

	Maturity Date	Interest Rate	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:							
General Obligation Bonds:							
Certificate of Participation - 2012	12/1/30	2.0-3.5%	\$1,885,000	\$0	(\$85,000)	\$1,800,000	\$85,000
Permanent Improvement Bonds - 2010 - BABs	12/1/47	5.9-6.55%	28,455,000	0	(170,000)	28,285,000	170,000
Permanent Improvement Bonds - 2010 - QSCB	12/1/47	5.9-6.55%	11,035,000	0	(100,000)	10,935,000	130,000
Permanent Improvement Bonds - 2005	12/1/25	5.69%	5,610,000	0	(85,000)	5,525,000	90,000
Permanent Improvement Bonds - 2001	12/1/26	6.34%	700,000	0	(350,000)	350,000	350,000
Premium on Bonds - Series 2010			685,310	0	(19,580)	665,730	0
Premium on Bonds - Series 2005			492,525	0	(9,355)	483,170	0
Discount on Issuance - COP 2012			(13,873)	0	814	(13,059)	0
Total General Obligation Bonds			48,848,962	0	(818,121)	48,030,841	825,000
Capital Lease Payable:							
OASBO Pool			694,500	0	(47,000)	647,500	49,000
School Project			769,560	0	(65,901)	703,659	68,960
Total Long Term Debt			50,313,022	0	(931,022)	49,382,000	942,960
Compensated Absences			1,030,967	105,854	(511,908)	624,913	180,131
Total Governmental Activities			\$51,343,989	\$105,854	(\$1,442,930)	\$50,006,913	\$1,123,091

Bonds will be paid from the Bond Retirement fund and capital leases and certificates of participation will be paid from the General Fund.

The following is a summary of the District's future annual debt service requirements to maturity for general obligation certificates/bonds:

Fiscal Year Ending June 30	General Obligation Bonds	
	Principal	Interest
2015	\$825,000	\$1,497,915
2016	1,010,000	1,488,527
2017	1,035,000	1,482,766
2018	1,070,000	1,477,891
2019	1,305,000	1,462,710
2020-2024	7,870,000	6,906,002
2025-2029	8,295,000	6,086,293
2030-2034	5,940,000	5,026,962
2035-2039	6,535,000	3,598,236
2040-2044	6,340,000	2,283,142
2045-2048	6,670,000	621,375
Total	\$46,895,000	\$31,931,819

Note 10 – Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The effects of these debt limitations at June 30, 2014 are a voted debt margin of \$30,437,193 and an unvoted debt margin of \$338,191.

Note 11 - Pension Plan

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$452,088, \$430,183, and \$413,160, respectively; contributions equaled the required contributions for each year.

State Teachers Retirement System of Ohio

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to 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. Contributions into the DC Plan and Combined Plan are credited to

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$1,317,348, \$1,340,800, and \$1,383,048, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 12 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. District contributions for the year ended June 30, 2014, 2013 and 2012 were \$24,542, \$3,193, and \$3,098, respectively, which equaled the required contributions each year.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Health Care Plan

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$46,809, \$40,521, and \$38,698, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

State Teachers Retirement System of Ohio

Plan Description

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

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

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$94,096, \$95,771, and \$98,789, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 13 – Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

	<u>General Fund</u>
GAAP Basis	\$1,447,196
Revenue Accruals	(480,673)
Expenditure Accruals	(147,708)
Transfer In	25,000
Transfer Out	(25,000)
Advances In	10,000
Advances Out	(10,000)
Encumbrances	(110,028)
Budget Basis	<u><u>\$708,787</u></u>

As part of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. These funds include the Adult Education Fund and the Uniform School Supplies Fund.

Note 14 - Contingent Liabilities

Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2014.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Litigation

Currently, no litigation is pending against the District.

Note 15 - Jointly Governed Organizations

HAMILTON/CLERMONT COOPERATIVE ASSOCIATION

The Hamilton/Clermont Cooperative Association (H/CCA) is a governmental jointly governed organization among two county consortium of school districts. 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 districts. Each of the governments of these schools supports H/CCA based upon a per pupil charge dependent upon the software package utilized. H/CCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

GREAT OAKS INSTITUTE OF TECHNOLOGY AND CAREER DEVELOPMENT

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the District. The District has no ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

GREATER CINCINNATI INSURANCE CONSORTIUM

For coverage related to certain benefits the District participates as a member of the Greater Cincinnati Insurance Consortium (GCIC), a shared risk pool, comprised of twelve Hamilton County School Districts and the Hamilton County Educational Service Center. Decisions concerning the operation of the consortium are made by a Board of Directors consisting of one representative selected from each participating member. Each member pays an administrative fee to the pool. Anthem Blue Cross Blue Shield provides claim review and processing.

Note 16 - Risk Management

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. Payments have not exceeded this coverage in any of the past three years. There has been no significant decline in coverage from the prior year.

Note 17 - Interfund Balances/Transfers

During the year ended June 30, 2014, the General Fund made transfers of \$25,000 to non-major governmental funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 18 – Fund Balances

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Art Connection Grant	0	0	5,874	5,874
Instructional Music	0	0	125,541	125,541
Career Development	0	0	19,655	19,655
Career Education	0	0	524	524
Title III	0	0	699	699
Chapter 1	0	0	14,657	14,657
Title II-A	0	0	2,114	2,114
Food Service	0	0	14,639	14,639
Vending Machine	0	0	98,617	98,617
Bond Retirement	0	1,495,485	0	1,495,485
Permanent Improvement	0	0	200,838	200,838
Total Restricted	0	1,495,485	483,158	1,978,643
Assigned to:				
Encumbrances	94,841	0	0	94,841
Budgetary Reserve	548,353	0	0	548,353
Total Assigned	643,194	0	0	643,194
Unassigned (Deficit)	11,079,287	0	0	11,079,287
Total Fund Balance	\$11,722,481	\$1,495,485	\$483,158	\$13,701,124

Note 19 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 67, *Financial Reporting from Pension Plans* – an amendment of GASB Statement Number 25. GASB Statement Number 67 replaces the requirements of Statements Number 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Deferred Contribution Plans*, and Number 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The provisions of the Statement are effective for financial statements for periods beginning after June 15, 2013, and have been implemented by the District. The implementation of GASB 67 had no effect on the financial statements.



Dave Yost • Auditor of State

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

Mariemont City School District
Hamilton County
2 Warrior Way
Cincinnati, Ohio 45227

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 Mariemont City School District, Hamilton County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 30, 2015



Dave Yost • Auditor of State

MARIEMONT CITY SCHOOL DISTRICT

HAMILTON 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 14, 2015**