



Dave Yost • Auditor of State

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS 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 – Cash Basis.....	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances-Governmental Funds	11
Statement of Cash Basis Receipts, Disbursements, and Changes In Fund Balances – Governmental Funds	12
Statement of Receipts, Disbursements and Changes In Fund Balance (Budgetary Basis) – General Fund.....	13
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds	14
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds	15
Notes to the Basic Financial Statements	16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Schedule of Findings.....	47
Schedule of Prior Audit Findings.....	49

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Millcreek-West Unity Local School District
Williams County
1401 West Jackson Street
West Unity, Ohio 43570

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 Millcreek-West Unity Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2015, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millcreek-West Unity Local School District, Williams County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General fund for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to the Management's Discussion and Analysis presented on pages 3-8 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 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

November 6, 2015

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED**

The discussion and analysis of the Millcreek-West Unity Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

In total, net position increased \$438,671.

General revenues accounted for \$13,992,207, or 92 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$1,269,868, or 8 percent of total revenues of \$15,262,075.

The District's major funds included the General Fund and the Bond Retirement Fund.

The General Fund had \$6,340,952 in receipts and other financing sources and \$5,956,587 in disbursements and other financing uses. The General Fund's balance increased \$384,365 from the prior fiscal year.

The Bond Retirement Fund had \$8,163,996 in receipts and other financing sources and \$8,041,534 in disbursements. The Bond Retirement Fund's balance increased \$122,462 from the prior fiscal year.

The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater 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 non-major funds presented in total in a single column.

For the District, the General Fund is the most significant fund. The General Fund and the Bond Retirement Fund are the District's major funds.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflects how the District did financially during fiscal year 2015. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

These statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the cash basis statement of net position and the statement of activities, the District discloses a single type of activity, its governmental activities, which includes all of the District's programs and services, are reported here including instruction, support services, non-instructional services and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General Fund and the Bond Retirement Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the cash basis of accounting.

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2015 compared to fiscal year 2014. The increase in cash was attributed to fewer permanent improvements and building expenditures.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

**Table 1
Net Position – Cash Basis
Governmental Activities**

	2015	2014
<u>Assets:</u>		
Current and Other Assets	<u>\$4,239,476</u>	<u>\$3,800,805</u>
<u>Net Position:</u>		
Restricted	1,981,949	1,927,643
Unrestricted	<u>2,257,527</u>	<u>1,873,162</u>
Total	<u>\$4,239,476</u>	<u>\$3,800,805</u>

Table 2 reflects the changes in net position for fiscal year 2015 compared to fiscal year 2014.

**Table 2
Change in Net Position – Cash Basis
Governmental Activities**

	2015	2014
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$814,791	\$691,091
Operating Grants, Contributions and Interest	<u>455,077</u>	<u>527,292</u>
Total Program Revenues	<u>1,269,868</u>	<u>1,218,383</u>
General Revenues:		
Property Taxes	2,050,113	2,089,721
Income Taxes	732,696	732,110
Grants and Entitlements	3,568,418	3,470,715
Gifts and Donations		6,020
Investment Earnings	7,223	8,884
Miscellaneous	40,226	53,232
Refunding Bonds Issued	6,919,998	
Premium on Refunding Bonds Issued	658,023	
Refund of Prior Year Expenditures	<u>15,510</u>	<u>13,137</u>
Total General Revenues	<u>13,992,207</u>	<u>6,373,819</u>
Total Revenues	<u>15,262,075</u>	<u>7,592,202</u>

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

<u>Expenses:</u>		
Instruction	3,797,156	3,902,543
Support Services:		
Pupils	287,641	257,851
Instructional Staff	143,850	64,407
Board of Education	49,113	31,275
Administration	611,437	625,382
Fiscal	176,116	175,281
Operation and Maintenance of Plant	612,866	623,254
Pupil Transportation	363,147	387,135
Central	117,768	132,178
Non-Instructional	260,244	252,166
Extracurricular Activities	339,098	302,374
Capital Outlay	32,797	132,893
Debt Service:		
Principal	7,190,000	260,000
Interest and Fiscal Charges	189,918	288,431
Issuance Costs	143,126	
Refund of Prior Year Receipts	390	
Payments to Refunded Bond Escrow Agent	508,737	
Total Expenses	<u>14,823,404</u>	<u>7,435,170</u>
Change in Net Position	<u>\$438,671</u>	<u>\$157,032</u>

Program receipts account for 8 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 26 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 5 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 4 percent. Debt service payments including the refunding of an old debt issue represents a significant disbursement of 54 percent. The remaining 11 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Overall revenues increased \$7,669,873 (101 percent) which was due to the refunding bonds issued. Overall expenditures increased \$7,388,234 (99.4 percent) which was due to the retirement of debt.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities, cash basis, reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Instruction	\$3,797,156	\$2,974,998	\$3,902,543	\$3,106,111
Support Services:				
Pupils	287,641	287,641	257,851	257,851
Instructional Staff	143,850	143,850	64,407	58,584
Board of Education	49,113	49,113	31,275	31,275
Administration	611,437	607,014	625,382	625,382
Fiscal	176,116	175,656	175,281	175,281
Operation and Maintenance of Plant	612,866	593,114	623,254	607,715
Pupil Transportation	363,147	363,147	387,135	387,135
Central	117,768	114,168	132,178	128,578
Non-Instructional	260,244	27,454	252,166	(3,022)
Extracurricular Activities	339,098	152,413	302,374	160,573
Capital Outlay	32,797	32,797	132,893	132,893
Debt Service:				
Principal	7,190,000	7,190,000	260,000	260,000
Interest and Fiscal Charges	189,918	189,918	288,431	288,431
Issuance Costs	143,126	143,126		
Refund of Prior Year Receipts	390	390		
Payments to Refunded Bond Escrow Agent	508,737	508,737		
Total Expenses	<u>\$14,823,404</u>	<u>\$13,553,536</u>	<u>\$7,435,170</u>	<u>\$6,216,787</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 78 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 91 percent. The remaining 9 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds were the General Fund and the Bond Retirement Fund. Total governmental funds had receipts and other financing sources of \$15,265,819 and disbursements and other financing uses of \$14,827,148. The net positive change of \$438,671 in fund balance for the year was primarily attributed to overall increase in refunding bonds issued.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2015, the District amended its General Fund budget as needed.

Actual revenues and other financing sources exceeded final estimated revenues and other financing sources by \$342,836 (5.7%). Variance was a result of greater than expected receipts for state foundation funding. Final estimated revenues and other financing sources were the same as original estimated revenues and other financing sources.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Final expenditures and other financing uses were budgeted at \$6,852,069 (less than 1 percent more than the original budget) while actual expenditures and other financing uses were \$5,965,079 which was approximately 13 percent less than anticipated. The \$886,990 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Debt Administration

At June 30, 2015, the District had \$7,375,170 (See Note 6) in school improvement and school improvement refunding bonds. There are two bond series with final maturities of December 1, 2016 and December 1, 2034, respectively. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2015, the District had \$132,973 (See Note 17) in capital lease agreements for the purchase of buses. There are two lease agreements with final maturities of July 15, 2015 and July 15, 2018. The lease payments are being paid through the District's Permanent Improvement fund

At June 30, 2015, the District exceeded its overall legal debt margin by \$1,572,290.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. West Unity is a small rural community of 1,790 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District derives its funds approximately 45 percent from local sources, 51 percent is from the State, and the remaining 4 percent is from Federal sources. The total expenditure per pupil was calculated at approximately \$10,357.

In May 2006, the District's voters approved a 10.4 mill Bond Issue Levy for 28 years and an additional .5 mill Maintenance Levy for 23 years to pay the Local share of a new school with the Ohio School Classroom Facilities Program. In May of 2013, the District passed an Emergency Tax Levy Renewal of \$300,000 per year for 5 years. The District passed a Safety Levy in May 2014 to cover the cost of a School Resource Officer. This service is contracted through the Village of West Unity Police Department.

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 reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Traci Thompson, Treasurer, Millcreek-West Unity Local School District, 1401 West Jackson Street, West Unity, Ohio 43570-9465.

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,239,476</u>
Net Position:	
Restricted for Debt Service	932,772
Restricted for Capital Outlay	664,192
Restricted for Other Purposes	384,985
Unrestricted	<u>2,257,527</u>
<i>Total Net Position</i>	\$ <u>4,239,476</u>

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

		Program Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$ 2,535,770	\$ 507,886	\$ 68,824	\$	(1,959,060)
Special	699,458	34,919	198,258		(466,281)
Vocational	72,285		12,271		(60,014)
Student Intervention Services	2,412				(2,412)
Other	487,231				(487,231)
Support Services:					
Pupils	287,641				(287,641)
Instructional Staff	143,850				(143,850)
Board of Education	49,113				(49,113)
Administration	611,437		4,423		(607,014)
Fiscal	176,116		460		(175,656)
Operation and Maintenance of Plant	612,866	101	19,651		(593,114)
Pupil Transportation	363,147				(363,147)
Central	117,768		3,600		(114,168)
Operation of Non-Instructional Services	260,244	105,661	127,129		(27,454)
Extracurricular Activities	339,098	166,224	20,461		(152,413)
Capital Outlay	32,797				(32,797)
Debt Service:					
Principal	7,190,000				(7,190,000)
Interest and Fiscal Charges	189,918				(189,918)
Issuance Costs	143,126				(143,126)
Payments to Refunded Bond Escrow Agent	508,737				(508,737)
Refund of Prior Year Receipts	390				(390)
Totals	\$ 14,823,404	\$ 814,791	\$ 455,077		(13,553,536)

General Receipts:

Taxes:		
Property Taxes, Levied for General Purposes	1,485,028	
Property Taxes, Levied for Debt Service	508,765	
Property Taxes, Levied for Facilities Maintenance	56,320	
Income Taxes	732,696	
Grants and Entitlements not Restricted to Specific Programs	3,568,418	
Investment Earnings	7,223	
Miscellaneous	40,226	
Refunding Bonds Issued	6,919,998	
Premium on Refunding Bonds Issued	658,023	
Refund of Prior Year Expenditures	15,510	
Total General Receipts	13,992,207	
Change in Net Position	438,671	
Net Position Beginning of Year	3,800,805	
Net Position End of Year	\$ 4,239,476	

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,257,527</u>	\$ <u>932,772</u>	\$ <u>1,049,177</u>	\$ <u>4,239,476</u>
Fund Balances:				
Restricted		\$ 932,772	\$ 1,049,177	\$ 1,981,949
Assigned	\$ 32,836			32,836
Unassigned	<u>2,224,691</u>			<u>2,224,691</u>
<i>Total Fund Balances</i>	<u>\$ 2,257,527</u>	<u>\$ 932,772</u>	<u>\$ 1,049,177</u>	<u>\$ 4,239,476</u>

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property and Other Local Taxes	\$ 1,485,028	\$ 508,765	\$ 56,320	\$ 2,050,113
Income Tax	732,696			732,696
Intergovernmental	3,504,278	76,411	422,339	4,003,028
Interest	4,585	799	1,857	7,241
Tuition and Fees	542,805			542,805
Rent	101			101
Extracurricular Activities	16,718		149,966	166,684
Gifts and Donations			17,575	17,575
Customer Sales and Services			105,201	105,201
Miscellaneous	40,226		2,874	43,100
<i>Total Receipts</i>	<u>6,326,437</u>	<u>585,975</u>	<u>756,132</u>	<u>7,668,544</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,466,992		68,778	2,535,770
Special	503,427		196,031	699,458
Vocational	72,285			72,285
Student Intervention Services	2,412			2,412
Other	487,231			487,231
Support Services:				
Pupils	287,641			287,641
Instructional Staff	143,850			143,850
Board of Education	49,113			49,113
Administration	597,261	9,753	4,423	611,437
Fiscal	175,128		988	176,116
Operation and Maintenance of Plant	547,011		65,855	612,866
Pupil Transportation	318,534		44,613	363,147
Central	114,168		3,600	117,768
Operation of Non-Instructional Services			260,244	260,244
Extracurricular Activities	187,790		151,308	339,098
Capital Outlay			32,797	32,797
Debt Service:				
Principal		7,190,000		7,190,000
Interest		189,918		189,918
Issuance Costs		143,126		143,126
<i>Total Disbursements</i>	<u>5,952,843</u>	<u>7,532,797</u>	<u>828,637</u>	<u>14,314,277</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>373,594</u>	<u>(6,946,822)</u>	<u>(72,505)</u>	<u>(6,645,733)</u>
Other Financing Sources (Uses):				
Advances In			3,744	3,744
Refunding Bonds Issued		6,919,998		6,919,998
Premium on Refunding Bonds Issued		658,023		658,023
Refund of Prior Year Expenditures	14,515		995	15,510
Advances Out	(3,744)			(3,744)
Refund of Prior Year Receipts			(390)	(390)
Payments to Refunded Bond Escrow Agent		(508,737)		(508,737)
<i>Total Other Financing Sources (Uses)</i>	<u>10,771</u>	<u>7,069,284</u>	<u>4,349</u>	<u>7,084,404</u>
<i>Net Change in Fund Balances</i>	<u>384,365</u>	<u>122,462</u>	<u>(68,156)</u>	<u>438,671</u>
Fund Balances at Beginning of Year	1,873,162	810,310	1,117,333	3,800,805
<i>Fund Balance at End of Year</i>	<u>\$ 2,257,527</u>	<u>\$ 932,772</u>	<u>\$ 1,049,177</u>	<u>\$ 4,239,476</u>

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 1,540,000	\$ 1,540,000	\$ 1,485,028	\$ (54,972)
Income Tax	732,000	732,000	732,696	696
Intergovernmental	3,181,554	3,181,554	3,504,278	322,724
Interest	4,000	4,000	4,585	585
Tuition and Fees	461,500	461,500	542,805	81,305
Rent			101	101
Gifts and Donations	500	500		(500)
Miscellaneous	46,844	46,844	35,539	(11,305)
<i>Total Receipts</i>	<u>5,966,398</u>	<u>5,966,398</u>	<u>6,305,032</u>	<u>338,634</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,708,210	2,708,210	2,468,292	239,918
Special	625,552	625,552	503,427	122,125
Vocational	86,943	86,943	72,285	14,658
Student Intervention Services	5,800	5,800	2,412	3,388
Other	522,366	522,366	487,231	35,135
Support Services:				
Pupils	304,659	304,659	287,641	17,018
Instructional Staff	179,200	179,200	143,850	35,350
Board of Education	59,518	59,518	52,630	6,888
Administration	632,180	635,527	578,903	56,624
Fiscal	195,070	195,070	175,128	19,942
Operation and Maintenance of Plant	681,201	686,201	564,424	121,777
Pupil Transportation	397,573	399,673	323,154	76,519
Central	144,955	179,955	114,168	65,787
Extracurricular Activities	246,395	246,395	187,790	58,605
<i>Total Disbursements</i>	<u>6,789,622</u>	<u>6,835,069</u>	<u>5,961,335</u>	<u>873,734</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(823,224)</u>	<u>(868,671)</u>	<u>343,697</u>	<u>1,212,368</u>
Other Financing Sources (Uses):				
Transfers In			4,687	4,687
Refund of Prior Year Expenditures	15,000	15,000	14,515	(485)
Advances Out	(17,000)	(17,000)	(3,744)	13,256
<i>Total Other Financing Sources (Uses)</i>	<u>(2,000)</u>	<u>(2,000)</u>	<u>15,458</u>	<u>17,458</u>
<i>Net Change in Fund Balance</i>	(825,224)	(870,671)	359,155	1,229,826
Fund Balance at Beginning of Year	1,793,703	1,793,703	1,793,703	
Prior Year Encumbrances Appropriated	71,834	71,834	71,834	
<i>Fund Balance at End of Year</i>	<u>\$ 1,040,313</u>	<u>\$ 994,866</u>	<u>\$ 2,224,692</u>	<u>\$ 1,229,826</u>

See Accompanying Notes to the Basic Financial Statements

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>18,195</u>	\$ <u>27,328</u>
Liabilities:		
Undistributed Monies		\$ <u>27,328</u>
Net Position:		
Held in Trust for Scholarships	\$ <u>18,195</u>	

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

		<u>Private Purpose Trust</u>
Additions:		
Gifts and Contributions	\$	5,054
Interest		44
<i>Total Additions</i>		<u>5,098</u>
Deductions:		
Payments in Accordance with Trust Agreements		<u>6,500</u>
<i>Change in Net Position</i>		(1,402)
Net Position Beginning of Year		19,597
<i>Net Position End of Year</i>	\$	<u><u>18,195</u></u>

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Millcreek-West Unity Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's instructional/support facility staffed by 25 non-certified and 42 certified personnel who provide services to 543 students and other community members.

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the 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 District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

C. Jointly Governed Organizations and Purchasing Pools

The District is associated with six organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Health Plan Employee Insurance Benefits Program, the Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report more detailed information about the District. The focus of governmental financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

1. Governmental Funds:

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. The General Fund and the Bond Retirement Fund are the 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 to the District 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 to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

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

2. Fiduciary Funds

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

C. Basis of Accounting

Although the Ohio Administrative Code § 117-2-03(B) requires that the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within established timetable. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund and object level for the General fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2015, investments were limited to negotiable and nonnegotiable certificates of deposit, open end mutual funds, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as non-negotiable certificates of deposit, are valued at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments with the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on June 30, 2015.

As authorized by Ohio statutes, the Board of Education has by resolution specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$4,585 which included \$665 assigned from other District Funds.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Pensions

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

J. Long-term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

K. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

L. Fund Balance

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

Nonspendable - The nonspendable classification 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" includes items that are not expected to be converted to cash.

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

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. 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 Board of Education.

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

The District first applies restricted resources when an expenditure is 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 can be used.

M. Interfund Transactions

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

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balance – Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) and certain funds included in the General fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budget basis statement for the General Fund:

Net Change in Fund Balance	General Fund
Cash Basis	\$384,365
Outstanding Encumbrances	(26,850)
Perspective Difference:	
Activity of Fund Reclassified for Cash Reporting Purposes	1,640
Budgetary Basis	\$359,155

5. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

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

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

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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 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.

At year end, the District had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2015, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>12 Months or less</u>	<u>12 to 24 Months</u>
Negotiable Certificates of Deposit	\$497,422		\$497,422
Money Market Mutual Fund	241,402	\$241,402	
Total Investments	<u>\$738,824</u>	<u>\$241,402</u>	<u>\$497,422</u>

Interest Rate Risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk - The Money Market Mutual Fund carries a rating of Aaa by Moody's and AAA by Standard and Poor's. Ohio law requires the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable certificates of deposit are exposed to custodial credit risk in that they are uninsured, unregistered and held by a counterparty (Ross, Sinclair & Associates, LLC) but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in Negotiable Certificates of Deposit represents 67 percent of the District's total investments.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. LONG TERM OBLIGATIONS

Changes in long-term obligations of the District during fiscal year 2015 were as follows:

	<u>Balance at 06/30/14</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/15</u>	<u>Amounts Due In One Year</u>
2015 School Improvement Refunding Bonds					
Current Interest Bonds (Serial) Rate 1.00-4.00%		\$6,895,000		\$6,895,000	\$115,000
Capital Appreciation Bonds Rate 18.37%		30,816		30,816	
2006 School Improvement Bonds					
Current Interest Bonds (Serial) Rate 4.00%	\$1,775,000		\$1,775,000		
Current Interest Bonds (Term) Rate 4.125%	5,145,000		5,145,000		
Capital Appreciation Bonds Rate 18.7588406%	622,440	96,914	270,000	449,354	246,847
Total Debt Obligation	<u>\$7,542,440</u>	<u>\$7,022,730</u>	<u>\$7,190,000</u>	<u>\$7,375,170</u>	<u>\$361,847</u>

Total expenditures for interest for the above debt for the period ended June 30, 2015 was \$189,918.

School Improvement Refunding Bonds, Series 2015

On February 25, 2015, the District issued \$6,919,998 in general obligation bonds for the purpose of paying off the District's 2006 school improvement serial and term bonds.

The Bonds are issuable as Bonds which pay interest semiannually (the "Current Interest Bonds") and as Bonds which do not pay interest currently but accrete in value in lieu thereof until their maturity date (the "Capital Appreciation Bonds"). The Bonds will be dated, mature, and bear interest or, in the case of the Capital Appreciation Bonds, accrete in value, all as more particularly described herein.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. LONG TERM OBLIGATIONS (Continued)

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2015	\$115,000	1.00%
2016	60,000	1.00%
2018	325,000	2.00%
2019	325,000	2.00%
2020	325,000	2.00%
2021	335,000	2.00%
2022	350,000	2.50%
2023	355,000	2.50%
2024	365,000	2.50%
2025	370,000	3.00%
2026	380,000	3.00%
2027	395,000	3.50%
2028	405,000	3.50%
2029	425,000	3.50%
2030	435,000	4.00%
2031	455,000	4.00%
2032	475,000	4.00%
2033	490,000	4.00%
2034	510,000	4.00%

The Capital Appreciation Bonds

The Capital Appreciation Bonds will be dated their date of issuance. The Capital Appreciation Bonds do not bear current interest, but will accrete in value from their date of issuance. The accreted value so accrued and compounded shall be the Compound Accreted Amount. Payment of the Compound Accreted Amount shall be made upon presentation and surrender thereof at the principal office of the Paying Agent and Registrar. The Compound Accreted Amount of the Capital Appreciation Bonds as of each Compound Date is set forth in the Accretion Table provided below.

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
December 1, 2017	\$24,998	\$315,000

The Capital Appreciation Bonds are not subject to redemption prior to scheduled maturity.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. LONG TERM OBLIGATIONS (Continued)

School Improvement Bonds 2006

On November 30, 2006, the District issued \$8,708,172 in voted general obligation bonds for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with the land acquisition and other improvements to school facilities, equipment, site improvements, and all necessary appurtenances thereto. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$3,400,000, \$5,145,000, and \$163,172, respectively. The bonds were issued for a 28 year period, with final maturity during fiscal year 2035. On February 25, 2015, the District defeased the remaining \$1,775,000 face value of the serial bonds and \$5,145,000 face value of the term bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government securities to provide for the future debt service payments on these bonds. The total debt service payments were reduced by \$388,704 and a net present value savings of \$301,526. As of June 30, 2015, \$6,920,000 of the refunded bonds were still outstanding. The capital appreciation bonds remain outstanding and will be retired from the Bond Retirement Fund from a voted tax levy.

The Bonds are issuable as Bonds which pay interest semiannually (the "Current Interest Bonds") and as Bonds which do not pay interest currently but accrete in value in lieu thereof until their maturity date (the "Capital Appreciation Bonds"). The Bonds will be dated, mature, and bear interest or, in the case of the Capital Appreciation Bonds, accrete in value, all as more particularly described herein.

The serial and term bonds were paid off with the proceeds the District received on the school improvement refunding bonds, series 2015.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. LONG TERM OBLIGATIONS (Continued)

The Capital Appreciation Bonds

The Capital Appreciation Bonds will be dated their date of issuance. The Capital Appreciation Bonds do not bear current interest, but will accrete in value from their date of issuance. The accreted value so accrued and compounded shall be the Compound Accreted Amount. Payment of the Compound Accreted Amount shall be made upon presentation and surrender thereof at the principal office of the Paying Agent and Registrar. The Compound Accreted Amount of the Capital Appreciation Bonds as of each Compound Date is set forth in the Accretion Table provided below.

Maturity Date	Original Principal Amount	Accreted Value at Maturity
December 1, 2015	\$54,089	\$270,000
December 1, 2016	44,372	265,000

The Capital Appreciation Bonds are not subject to redemption prior to scheduled maturity.

The annual requirements to service the principal and interest of the general obligation debt outstanding to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$361,847	\$237,253	\$599,100
2017	262,507	275,718	538,225
2018	30,816	497,109	527,925
2019	325,000	209,675	534,675
2020	325,000	203,175	528,175
2021 – 2025	1,730,000	907,175	2,637,175
2026 – 2030	1,975,000	646,763	2,621,763
2031 – 2035	2,365,000	243,900	2,608,900
Total	\$7,375,170	\$3,220,768	\$10,595,938

The District exceeded its overall debt margin by \$1,572,290. It's unvoted debt margin was \$64,476 at June 30, 2015. Ohio Revised Code 133.06 (1) allows a district to pass a levy in excess of the legal debt margin for the purpose of participating in the Ohio School Facilities Construction program.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

7. PROPERTY TAXES

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

Property taxes include amounts levied against all property, public utility property, and tangible personal (used in business) property located in the area served by the District. Real property tax revenues received in calendar year 2015 represent the collection calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Williams County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2015 taxes are based are as follows:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$53,289,280	83%	\$53,385,630	83%
Industrial/Commercial	8,492,260	13%	8,479,900	13%
Public Utility	2,534,590	4%	2,610,910	4%
Total Assessed Value	<u>\$64,316,130</u>	<u>100%</u>	<u>\$64,476,440</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$58.80		\$59.60	

8. INCOME TAX

In 2004, the voters of the District passed a one percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2015, the District recorded income tax revenue of \$732,696 in the General Fund.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with the Ohio School Plan for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

The District joined together with other school districts in Ohio to participate in the Ohio School Plan (the Plan), a public entity insurance purchasing pool (Note 15). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on types and limits of coverage and deductibles that it selected by the participant.

Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage from last year.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of the Optimal Health Initiative (OHI) Consortium, a self insurance pool, for insurance benefits to employees (Note 15). The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northern Division of Optimal Health Initiative (OHI) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 15). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Executive Director of the NBHP coordinates the management and administration of the program.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$113,565 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

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

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$364,721 for fiscal year 2015.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,175,050	\$5,810,245	\$6,985,295
Proportion of the Net Pension Liability	0.02318000%	0.02388741%	

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$1,676,447	\$1,175,050	\$753,331

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED BENEFIT PENSION PLAN (Continued)

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

	1% Decrease ▾ (6.75%)	Current Discount Rate ▾ (7.75%)	1% Increase ▾ (8.75%)
School District's proportionate share of the net pension liability	\$8,317,999	\$5,810,245	\$3,689,529

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2015, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

11. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

Postemployment Benefits – 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 Part 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 monthly premium for calendar year 2015 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, the actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for the years ended June 30, 2015, 2014, and 2013 were \$6,755, \$6,828 and \$6,278, respectively; 93percent has been contributed for fiscal year 2015 and 100 percent for fiscal year 2014 and 2013.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

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 and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is .82 percent. 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2015, 2014, and 2013 were \$20,517, \$21,008, and \$12,552 respectively; 34 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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.

B. State Teachers Retirement System of Ohio

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$26,502, and \$28,400, respectively; 100 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

12. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. The Superintendent, Clerical, Technical, and Maintenance and Operation employees and the superintendent with one or more years of service are entitled to vacation ranging from 10 to 20 days. All employees are entitled to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 38 days. For employees with 10-19 years of service, the maximum is 50 days; for employees with 20 or more years of service, the maximum is 60 days.

13. STATUTORY RESERVES

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

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

	Capital Acquisition
Current Year Set-aside Requirement	\$104,859
Qualifying Disbursements	(25,890)
Current Year Offsets	(78,969)
Total	_____
Cash Balance Carried Forward to FY 2016	_____
Total Restricted Cash Assets	_____

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. The District paid \$61,326 for services rendered through NWOCA. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$250 for services rendered through NBEC. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Four County Career Center possesses its own budgeting and taxing authority. The District paid \$70 for services rendered through the Four County Career Center. To obtain financial information write to the Four County Career Center, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

15. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan, Northwest Division of the Optimal Health Initiative Consortium (OHI), a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of \$798,999 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. GROUP PURCHASING POOLS (Continued)

B. Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan, Northwest Division of Optimal Health Initiative Consortium (OHI) Workers' Compensation Group Rating Plan (WCGRP) was established as a group purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. The OHI has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

Optimal Health Initiatives has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During the fiscal year, the District paid an enrollment fee of \$670 to WCGRP to cover the costs of administering the program.

C. Ohio School Plan

The District belongs to the Ohio School Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administration services to approximately 273 members.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile and violence coverages, modified for each member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Assets	\$7,974,679	\$6,841,599
Liabilities	2,780,801	4,052,930
Members' Equity	5,193,878	2,788,669

You can read the complete audited financial statements for the Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

16. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. School Foundation

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

C. Litigation

There are currently no matters in litigation with the District as defendant.

17. CAPITALIZED LEASES - LESSEE DISCLOSURE

In 2012, the District acquired two buses by lease agreement. The District made payments in the amount of \$44,641 from the Support Services – Pupil Transportation function code in the Permanent Improvement fund.

In 2015, the District acquired a bus by lease agreement. The District made no payments during the year. All payments will be paid from the Support Services – Pupil Transportation function code in the Permanent Improvement fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2015:

General Long-Term Obligations	
<u>Year Ending June 30,</u>	<u>Equipment</u>
2016	\$68,489
2017	23,848
2018	23,849
2019	23,849
Total Future Minimum Lease Payments	140,035
Less: Amount Representing Interest	(7,062)
Present Value of Future Minimum Lease Payments	\$132,973

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

18. FUND BALANCE

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

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

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:				
Regular Instruction			\$46	\$46
Special Instruction			9,884	9,884
Athletics			63,040	63,040
Food Service Operations			7,992	7,992
Facilities Maintenance			304,023	304,023
Debt Retirement		\$932,772		932,772
Building Construction			664,192	664,192
Total Restricted		932,772	1,049,177	1,981,949
Assigned for:				
Educational Activities	\$5,986			5,986
Unpaid Obligations (encumbrances)	26,850			26,850
Total Assigned	32,836			32,836
Unassigned	2,224,691			2,224,691
Total Fund Balance	\$2,257,527	\$932,772	\$1,049,177	\$4,239,476

19. INTERFUND ADVANCES

At June 30, 2015, the General Fund had unpaid interfund cash advances in the amount of \$3,744 for a short-term loan made to the Safety/Security Levy fund. This advance is expected to be repaid within one year.



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

Millcreek-West Unity Local School District
Williams County
1401 West Jackson Street
West Unity, Ohio 43570

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 Millcreek-West Unity Local School District, Williams County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2015-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Entity's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State
Columbus, Ohio

November 6, 2015

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2015

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

FINDING NUMBER 2015-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03(B) which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

Due to a lack of a GAAP reporting policy, in fiscal year 2015 the District prepared its financial statements on a cash basis of accounting in a format similar to financial statements by Governmental Accounting Board Statement no. 34. This presentation differs from accounting principles accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

FINDING NUMBER 2015-002

Material Weakness – Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54 established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed such as encumbrance within the general fund. When appropriation measures are adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource (appropriated for general fund uses or appropriations exceed estimated receipts), then that portion of fund balance should be classified as assigned.

The District assigned year end General Fund balance in the amount of \$826,986. Of this total, \$794,150 was assigned based on 2015 appropriations of \$6,780,235 and estimated resources of \$5,986,085. The District should have based this calculation on 2016 appropriations of \$5,956,037 and estimated revenues of \$6,427,929. No assignment of fund balance would be necessary. As a result, assigned fund balance in the General Fund was overstated by \$794,150.

**FINDING NUMBER 2015-002
(Continued)**

Audit adjustments have been made to properly report the year end fund balance.

In order to ensure the District's governmental fund balances are reported in accordance with GASB 54, we recommend the District review Auditor of State Bulletin 2011-004.

Officials' Response:

Management acknowledges this finding and takes responsibility to report the District's financial statements in accordance with GASB 54. Furthermore, Management will take this opportunity to address the importance with the entity hired by the District to compile the OCBOA financial statements.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) – for not preparing its annual financial report in accordance with generally accepted accounting principles.	No	Not corrected. Reissued as finding 2015-001 in this report.

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MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT

WILLIAMS 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
DECEMBER 8, 2015**