

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

ZACHARY NIBLICK, TREASURER



Dave Yost • Auditor of State

Board of Education
Johnstown-Monroe Local School District
441 S Main St
Johnstown, OH 43031

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

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

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

Dave Yost
Auditor of State

December 13, 2016

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**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report

Johnstown-Monroe Local School District
Licking County
441 South Main Street
Johnstown, Ohio 43031

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Johnstown-Monroe Local School District, Licking County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Johnstown-Monroe Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Johnstown-Monroe Local School District, Licking County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016, on our consideration of the Johnstown-Monroe Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Johnstown-Monroe Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
October 18, 2016

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The management's discussion and analysis of the Johnstown-Monroe 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, 2016. 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 the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities increased \$3,664,148 which represents a 23.58% increase from 2015.
- General revenues accounted for \$18,147,257 in revenue or 88.0% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$2,475,191 or 12.0% of total revenues of \$20,622,448.
- The District had \$16,958,300 in expenses related to governmental activities; \$2,475,191 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,147,257 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement and classroom facilities fund. The general fund had \$17,454,720 in revenues and other financing sources and \$18,769,386 in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance decreased \$1,314,666 from a balance of \$18,401,390 to \$17,086,724.
- The bond retirement fund had \$1,938,933 in revenues and other financing sources and \$1,853,224 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance increased \$85,709 from a balance of \$1,484,037 to a balance of \$1,569,746.
- The classroom facilities fund had \$1,451,914 in revenues and \$3,423,078 in expenditures. During fiscal year 2016, the classroom facilities fund's fund balance decreased \$1,971,164 from a balance of \$30,307,929 to a balance of \$28,336,765.

Using these Basic Financial Statements

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

The *statement of net position* and *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 the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, the bond retirement fund and classroom facilities fund are considered major funds.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 14-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the bond retirement fund and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial 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 fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in the agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-58 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 59-65 of this report.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The District as a Whole

The table below provides a summary of the District's net position for June 30, 2016 and 2015.

	Net Position	
	Governmental Activities 2016	Governmental Activities 2015
<u>Assets</u>		
Current and other assets	\$ 77,527,825	\$ 77,949,285
Capital assets, net	<u>8,495,757</u>	<u>2,848,808</u>
Total assets	<u>86,023,582</u>	<u>80,798,093</u>
<u>Deferred Outflows of Resources</u>		
Pension	<u>2,444,063</u>	<u>1,178,032</u>
Total deferred outflows of resources	<u>2,444,063</u>	<u>1,178,032</u>
<u>Liabilities</u>		
Current liabilities	3,563,624	1,637,661
Long-term liabilities:		
Due within one year	525,339	404,730
Due in more than one year:		
Net pension liability	18,375,533	15,467,974
Other amounts	<u>37,334,899</u>	<u>37,661,868</u>
Total liabilities	<u>59,799,395</u>	<u>55,172,233</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for the next fiscal year	8,351,171	8,456,045
Pensions	<u>1,114,345</u>	<u>2,809,261</u>
Total deferred inflows of resources	<u>9,465,516</u>	<u>11,265,306</u>
<u>Net Position</u>		
Net investment in capital assets	2,405,952	1,587,381
Restricted	13,876,991	12,592,411
Unrestricted	<u>2,919,791</u>	<u>1,358,794</u>
Total net position	<u>\$ 19,202,734</u>	<u>\$ 15,538,586</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,202,734. Of this total, \$2,919,791 is unrestricted in use.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

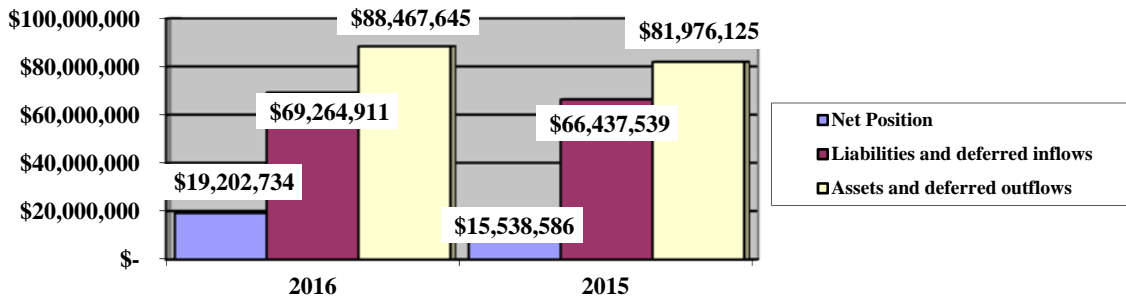
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

At year-end, capital assets represented 9.60% of total assets and deferred outflows of resources. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets was \$2,405,952. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$13,876,991, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$2,919,791 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's governmental activities assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016 and 2015:

Governmental Activities



The table below shows the change in net position for fiscal year 2016 and 2015.

Change in Net Position

	Governmental Activities 2016	Governmental Activities 2015
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,161,650	\$ 1,117,039
Operating grants and contributions	1,096,710	2,052,687
Capital grants and contributions	216,831	-
General revenues:		
Property taxes	9,220,711	8,043,480
Payments in lieu of taxes	430,379	258,703
School district income taxes	2,897,890	2,732,735
Restricted grants and entitlements	-	11,940,195
Unrestricted grants and entitlements	5,372,393	4,474,139
Investment earnings	209,414	276,693
Miscellaneous	16,470	15,609
Total revenues	20,622,448	30,911,280

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Change in Net Position

	<u>Governmental Activities 2016</u>	<u>Governmental Activities 2015</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,239,117	\$ 6,823,895
Special	1,659,053	1,607,949
Vocational	236,217	201,876
Other	330,724	315,873
Support services:		
Pupil	477,341	401,765
Instructional staff	560,470	532,475
Board of education	79,605	158,377
Administration	1,237,335	1,131,436
Fiscal	482,252	497,842
Business	1,686	3,324
Operations and maintenance	1,146,749	1,497,674
Pupil transportation	1,067,296	894,104
Central	106,940	96,835
Operation of non-instructional services:		
Food service operations	404,774	352,637
Extracurricular activities	453,219	517,492
Interest and fiscal charges	1,475,522	1,442,245
Total expenses	<u>16,958,300</u>	<u>16,475,799</u>
Change in net position	3,664,148	14,435,481
Net position at beginning of year	<u>15,538,586</u>	<u>1,103,105</u>
Net position at end of year	<u>\$ 19,202,734</u>	<u>\$ 15,538,586</u>

Governmental Activities

Net position of the District's governmental activities increased \$3,664,148. Total governmental expenses of \$16,958,300 were offset by program revenues of \$2,475,191 and general revenues of \$18,147,257. Program revenues supported 14.60% of the total governmental expenses.

The District passed a new bond levy in May 2014 that resulted in an increase in property tax revenue. The District received an \$11,940,195 grant from the Ohio Facilities Construction Commission (OFCC) in fiscal year 2015 for a school building project.

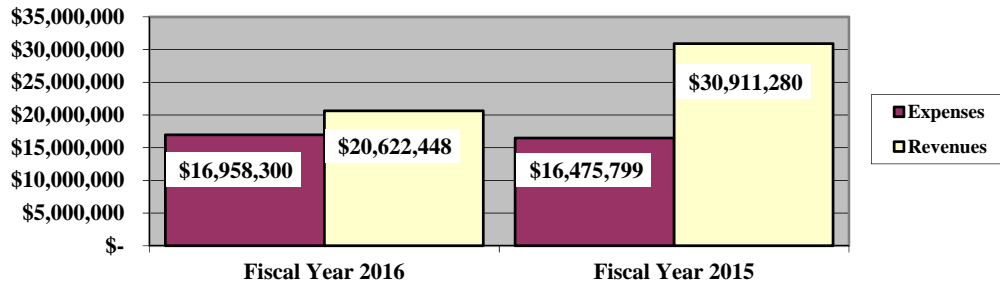
The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes, income taxes, and grants and entitlements. These revenue sources represent 86.90% of total governmental revenue. The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,465,111 or 55.81% of total governmental expenses for fiscal year 2016.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2016 and 2015.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program expenses				
Instruction:				
Regular	\$ 7,239,117	\$ 6,582,077	\$ 6,823,895	\$ 6,149,421
Special	1,659,053	1,165,961	1,607,949	1,064,547
Vocational	236,217	195,529	201,876	164,390
Other	330,724	174,878	315,873	147,216
Support services:				
Pupil	477,341	477,341	401,765	401,218
Instructional staff	560,470	452,762	532,475	423,096
Board of education	79,605	79,605	158,377	158,377
Administration	1,237,335	1,237,335	1,131,436	1,131,436
Fiscal	482,252	482,252	497,842	(400,529)
Business	1,686	1,686	3,324	3,324
Operations and maintenance	1,146,749	916,748	1,497,674	1,489,094
Pupil transportation	1,067,296	912,029	894,104	759,513
Central	106,940	99,740	96,835	89,635
Operation of non-instructional services:				
Food service operations	404,774	(29,658)	352,637	(24,437)
Extracurricular activities	453,219	259,302	517,492	307,527
Interest and fiscal charges	<u>1,475,522</u>	<u>1,475,522</u>	<u>1,442,245</u>	<u>1,442,245</u>
Total expenses	<u>\$ 16,958,300</u>	<u>\$ 14,483,109</u>	<u>\$ 16,475,799</u>	<u>\$ 13,306,073</u>

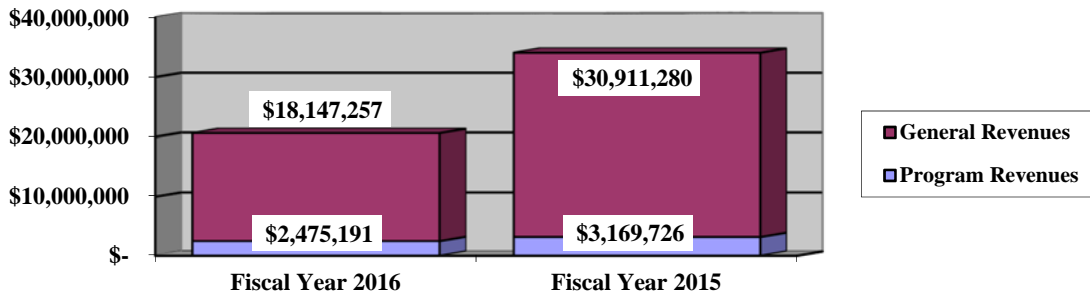
**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent; 80.91% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.40%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$56,080,728, which is less than last year's total of \$56,988,780. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Fund Balance</u> <u>June 30, 2015</u>	<u>Increase</u>	<u>Percentage</u> <u>Change</u>
General	\$ 17,086,724	\$18,401,390	\$ (1,314,666)	(7.14) %
Bond Retirement	1,569,746	1,484,037	85,709	5.78 %
Classroom Facilities	28,336,765	30,307,929	(1,971,164)	(6.50) %
Other Governmental	<u>9,087,493</u>	<u>6,795,424</u>	<u>2,292,069</u>	33.73 %
Total	<u>\$ 56,080,728</u>	<u>\$56,988,780</u>	<u>\$ (908,052)</u>	(1.59) %

General Fund

The District's general fund balance decreased \$1,314,666. This decrease was primarily the result of \$4,449,648 in transfers out to other funds, including a \$3,000,000 transfer to establish a new capital projects fund. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Net</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 10,220,112	\$ 9,644,018	\$ 576,094	5.97 %
Payments in lieu of taxes	430,379	258,703	171,676	66.36 %
Tuition	524,000	566,817	(42,817)	(7.55) %
Earnings on investments	211,880	133,206	78,674	59.06 %
Intergovernmental	5,773,581	5,798,893	(25,312)	(0.44) %
Other revenues	<u>160,423</u>	<u>173,686</u>	<u>(13,263)</u>	(7.64) %
Total	<u>\$ 17,320,375</u>	<u>\$ 16,575,323</u>	<u>\$ 745,052</u>	4.49 %
<u>Expenditures</u>				
Instruction	\$ 9,001,576	\$ 8,985,763	\$ 15,813	0.18 %
Support services	4,832,942	4,698,095	134,847	2.87 %
Extracurricular activities	273,249	339,875	(66,626)	(19.60) %
Facilities acquisition and construction	47,202	-	47,202	100.00 %
Capital lease disbursement	134,345	-	134,345	100.00 %
Debt service	<u>30,424</u>	<u>-</u>	<u>30,424</u>	100.00 %
Total	<u>\$ 14,319,738</u>	<u>\$ 14,023,733</u>	<u>\$ 296,005</u>	2.11 %

Revenues of the general fund increased \$745,052 or 4.49%. The District had an increase in both property tax revenue and income tax revenue, resulting in an increase of \$576,094 in tax revenue. The District also entered into earnings on investments increased due to an increase in interest rates and an increase in the amount of cash invested.

Expenditures of the general fund increased \$296,005 or 2.11%. The District entered into a new lease for copier equipment during 2016, which resulted in capital outlay expenditures of \$134,345 and principal and interest payments.

Bond Retirement Fund

The bond retirement fund had \$1,938,933 in revenues and other financing sources and \$1,853,224 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance increased \$85,709 from a balance of \$1,484,037 to a balance of \$1,569,746.

Classroom Facilities Fund

The classroom facilities fund had \$1,451,914 in revenues and \$3,423,078 in expenditures. During fiscal year 2016, the classroom facilities fund's fund balance decreased \$1,971,164 from a balance of \$30,307,929 to a balance of \$28,336,765. The decrease in fund balance was due to the facilities acquisition and construction expenditures related to the District's school facilities construction project.

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.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

During the course of fiscal year 2016, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$16,152,931 and final budgeted revenues and other financing sources were \$17,099,140. Actual revenues and other financing sources for fiscal 2016 were \$16,986,298.

General fund original appropriations and other financing uses of \$18,574,053 were increased to \$20,834,367 in the final appropriations and other financing uses. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$19,648,097, which was \$1,186,270 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$8,495,757 invested in land, construction-in-progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2016 balances compared to 2015:

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

	Governmental Activities	
	2016	2015
Land	\$ 300,961	\$ 280,961
Construction-in-progress	6,190,137	797,847
Land improvements	20,440	22,627
Building and improvements	1,073,073	1,029,938
Furniture and equipment	860,746	707,995
Vehicles	50,400	9,440
Total	\$ 8,495,757	\$ 2,848,808

The overall increase in capital assets of \$5,646,949 is due to the \$5,841,386 in additions, \$174,437 in depreciation expense and disposals, net of accumulated depreciation of \$20,000.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2016, the District had \$110,088 in capital lease obligations, \$35,410,000 in Current Interest School Improvement Bonds and \$204,848, including accreted interest, in School Improvement Bonds – 2014 capital appreciation bonds outstanding. Of this total, \$485,498 is due within one year and \$35,239,438 is due in greater than one year.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The following table summarizes the bonds and notes outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Energy conservation notes	\$ -	\$ 47,003
Capital lease obligations	110,088	-
School Improvement Bonds - 2014	35,410,000	35,705,000
School Improvement Bonds - 2014 (CABS)	<u>204,848</u>	<u>172,333</u>
Total	<u>\$ 35,724,936</u>	<u>\$ 35,924,336</u>

At June 30, 2016, the District's overall legal debt margin was a deficit of \$9,282,755, and an unvoted debt margin of \$274,583.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District is currently financially sound. As the preceding information shows, the District relies heavily upon property taxes, income taxes, grants and entitlements. The District is currently collecting approximately \$2.8 million per year from a 1% income tax. This income tax was renewed in November 2012 and collections will continue through fiscal year 2019. In addition, a \$2.2 million Emergency Levy was renewed in May 2013 and collection will continue through fiscal year 2019. This additional tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses through fiscal year 2020.

However, the future financial stability of the District is not without challenges. The next challenge facing the District is the steady increase in enrollment. These projected increases are due to planned residential growth in the District. The District is currently utilizing five modular units to house students. The district passed a bond issue in May of 2014 which will allow for a new K-5 elementary building and a new 9-12 high school building. The bond issue also allows for renovations to be made to the current high school for future use as a middle school. The District is currently participating in the Ohio Facilities Construction Commission (OFCC) *Classroom Facilities Assistance Program*.

The last challenge facing the District is the future of State funding. The District anticipates a slight growth in State revenue in the coming years due to increasing enrollment and changes in the State funding formula.

In conclusion, the District has committed itself to financial excellence for many years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Zachary Niblick, Treasurer, Johnstown-Monroe Local School District, 441 S. Main Street, Johnstown, Ohio 43031.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 57,533,338
Receivables:	
Property taxes	9,231,315
Income taxes.	1,229,345
Accounts.	18,468
Accrued interest	14,190
Intergovernmental	9,344,178
Prepayments	146,229
Materials and supplies inventory.	1,289
Inventory held for resale.	9,473
Capital assets:	
Nondepreciable capital assets	6,491,098
Depreciable capital assets, net.	2,004,659
Capital assets, net	<u>8,495,757</u>
Total assets.	<u>86,023,582</u>
Deferred outflows of resources:	
Pension - STRS	2,054,261
Pension - SERS	389,802
Total deferred outflows of resources	<u>2,444,063</u>
Liabilities:	
Accounts payable.	49,223
Contracts payable.	1,965,162
Retainage payable	162,686
Accrued wages and benefits payable	1,034,431
Intergovernmental payable	31,649
Pension obligation payable.	203,247
Accrued interest payable	117,226
Long-term liabilities:	
Due within one year.	525,339
Due in more than one year:	
Net pension liability (See Note 13)	18,375,533
Other amounts due in more than one year	37,334,899
Total liabilities	<u>59,799,395</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	8,351,171
Pension - STRS.	1,046,729
Pension - SERS.	67,616
Total deferred inflows of resources	<u>9,465,516</u>
Net position:	
Net investment in capital assets	2,405,952
Restricted for:	
Capital projects	11,830,448
Classroom facilities maintenance	194,623
Debt service.	1,439,372
Locally funded programs	2,275
Federally funded programs	6,993
Student activities	92,298
Other purposes	310,982
Unrestricted	2,919,791
Total net position.	<u>\$ 19,202,734</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 7,239,117	\$ 598,517	\$ 58,523
Special	1,659,053	10,194	482,898
Vocational	236,217	-	40,688
Other	330,724	-	155,846
Support services:			
Pupil	477,341	-	-
Instructional staff	560,470	-	107,708
Board of education	79,605	-	-
Administration	1,237,335	-	-
Fiscal	482,252	-	-
Business	1,686	-	-
Operations and maintenance	1,146,749	13,170	-
Pupil transportation	1,067,296	95,103	60,164
Central	106,940	-	7,200
Operation of non-instructional services:			
Food service operations	404,774	251,496	182,936
Extracurricular activities	453,219	193,170	747
Interest and fiscal charges	1,475,522	-	-
Total governmental activities	16,958,300	1,161,650	1,096,710

General revenues:

Property taxes levied for:
General purposes
Debt Service
Special Revenue
Payments in lieu of taxes
Income taxes levied for:
General purposes
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
\$ -	\$ (6,582,077)
-	(1,165,961)
-	(195,529)
-	(174,878)
-	(477,341)
-	(452,762)
-	(79,605)
-	(1,237,335)
-	(482,252)
-	(1,686)
216,831	(916,748)
-	(912,029)
-	(99,740)
-	29,658
-	(259,302)
-	(1,475,522)
216,831	(14,483,109)

7,268,399
 1,831,781
 120,531
 430,379

 2,897,890

 5,372,393
 209,414
 16,470

 18,147,257

 3,664,148

 15,538,586

 \$ 19,202,734

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 16,543,661	\$ 1,431,800	\$ 29,941,017	\$ 9,616,860	\$ 57,533,338
Receivables:					
Property taxes	7,289,283	1,822,658	-	119,374	9,231,315
Income taxes	1,229,345	-	-	-	1,229,345
Accounts	18,360	-	-	108	18,468
Accrued interest	14,190	-	-	-	14,190
Intergovernmental	59,962	-	9,248,217	35,999	9,344,178
Prepayments	144,601	-	-	1,628	146,229
Materials and supplies inventory	-	-	-	1,289	1,289
Inventory held for resale	-	-	-	9,473	9,473
Due from other funds	535	-	-	-	535
Total assets	<u>25,299,937</u>	<u>3,254,458</u>	<u>39,189,234</u>	<u>9,784,731</u>	<u>77,528,360</u>
Liabilities:					
Accounts payable	\$ 42,869	\$ -	\$ -	\$ 6,354	\$ 49,223
Contracts payable	-	-	1,564,006	401,156	1,965,162
Retainage payable	-	-	40,246	122,440	162,686
Accrued wages and benefits payable	995,207	-	-	39,224	1,034,431
Compensated absences payable	8,325	-	-	8,430	16,755
Intergovernmental payable	31,105	-	-	544	31,649
Pension obligation payable	194,827	-	-	8,420	203,247
Due to other funds	-	-	-	535	535
Total liabilities	<u>1,272,333</u>	<u>-</u>	<u>1,604,252</u>	<u>587,103</u>	<u>3,463,688</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	6,595,487	1,648,011	-	107,673	8,351,171
Delinquent property tax revenue not available	148,810	36,701	-	2,462	187,973
Income tax revenue not available	194,522	-	-	-	194,522
Intergovernmental revenue not available	-	-	9,248,217	-	9,248,217
Accrued interest not available	2,061	-	-	-	2,061
Total deferred inflows of resources	<u>6,940,880</u>	<u>1,684,712</u>	<u>9,248,217</u>	<u>110,135</u>	<u>17,983,944</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory	-	-	-	1,289	1,289
Prepays	144,601	-	-	1,628	146,229
Restricted:					
Debt service	-	1,569,746	-	-	1,569,746
Capital improvements	-	-	28,336,765	5,473,255	33,810,020
Classroom facilities maintenance	-	-	-	192,161	192,161
Food service operations	-	-	-	326,511	326,511
Special education	-	-	-	5,365	5,365
Other purposes	-	-	-	2,275	2,275
Student activities	-	-	-	92,298	92,298
Committed:					
Capital improvements	759,924	-	-	3,002,251	3,762,175
Assigned:					
Student instruction	108,140	-	-	-	108,140
Student and staff support	165,946	-	-	-	165,946
Extracurricular activities	575	-	-	-	575
Facilities acquisition and construction	517	-	-	-	517
Subsequent year's appropriations	181,381	-	-	-	181,381
School supplies	121,056	-	-	-	121,056
Unassigned	15,604,584	-	-	(9,540)	15,595,044
Total fund balances	<u>17,086,724</u>	<u>1,569,746</u>	<u>28,336,765</u>	<u>9,087,493</u>	<u>56,080,728</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 25,299,937</u>	<u>\$ 3,254,458</u>	<u>\$ 39,189,234</u>	<u>\$ 9,784,731</u>	<u>\$ 77,528,360</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	56,080,728
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			8,495,757
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	187,973	
Income taxes receivable		194,522	
Accrued interest receivable		2,061	
Intergovernmental receivable		9,248,217	
Total		9,632,773	9,632,773
Unamortized premiums on bonds issued are not recognized in the funds.			(1,642,508)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(117,226)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - Pension		2,444,063	
Deferred Inflows - Pension		(1,114,345)	
Net pension liability		(18,375,533)	
Total		(17,045,815)	(17,045,815)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(35,614,848)	
Capital lease obligations		(110,088)	
Compensated absences		(476,039)	
Total		(36,200,975)	(36,200,975)
Net position of governmental activities		\$	19,202,734

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	\$ 7,329,689	\$ 1,850,246	\$ -	\$ 121,566	\$ 9,301,501
Income taxes	2,890,423	-	-	-	2,890,423
Payment in lieu of taxes	430,379	-	-	-	430,379
Tuition	524,000	-	-	-	524,000
Transportation fees	-	-	-	82,161	82,161
Earnings on investments	211,880	-	197,993	19,111	428,984
Charges for services	-	-	-	251,496	251,496
Extracurricular	36,476	-	-	160,040	196,516
Classroom materials and fees	84,711	-	-	-	84,711
Rental income	13,170	-	-	-	13,170
Contributions and donations	9,658	-	-	750	10,408
Other local revenues	16,408	-	-	-	16,408
Intergovernmental - intermediate	-	-	-	22,561	22,561
Intergovernmental - state	5,743,116	41,329	1,253,921	12,886	7,051,252
Intergovernmental - federal	30,465	-	-	617,723	648,188
Total revenues	<u>17,320,375</u>	<u>1,891,575</u>	<u>1,451,914</u>	<u>1,288,294</u>	<u>21,952,158</u>
Expenditures:					
Current:					
Instruction:					
Regular	7,064,058	-	-	63,690	7,127,748
Special	1,516,344	-	-	139,994	1,656,338
Vocational	235,967	-	-	345	236,312
Other	185,207	-	-	147,414	332,621
Support services:					
Pupil	482,804	-	-	-	482,804
Instructional staff	441,464	-	-	109,486	550,950
Board of education	77,879	-	-	-	77,879
Administration	1,209,830	-	-	-	1,209,830
Fiscal	491,303	28,733	-	1,880	521,916
Business	1,686	-	-	-	1,686
Operations and maintenance	1,055,374	-	-	-	1,055,374
Pupil transportation	972,596	-	-	94,700	1,067,296
Central	100,006	-	-	7,200	107,206
Operation of non-instructional services:					
Food service operations	-	-	-	409,469	409,469
Extracurricular activities	273,249	-	-	147,475	420,724
Facilities acquisition and construction	47,202	-	3,423,078	2,276,862	5,747,142
Capital lease disbursement	134,345	-	-	-	134,345
Debt service:					
Principal retirement	24,257	342,003	-	-	366,260
Interest and fiscal charges	6,167	1,482,488	-	-	1,488,655
Total expenditures	<u>14,319,738</u>	<u>1,853,224</u>	<u>3,423,078</u>	<u>3,398,515</u>	<u>22,994,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,000,637</u>	<u>38,351</u>	<u>(1,971,164)</u>	<u>(2,110,221)</u>	<u>(1,042,397)</u>
Other financing sources (uses):					
Transfers in	-	47,358	-	4,402,290	4,449,648
Transfers (out)	(4,449,648)	-	-	-	(4,449,648)
Capital lease transaction	134,345	-	-	-	134,345
Total other financing sources (uses)	<u>(4,315,303)</u>	<u>47,358</u>	<u>-</u>	<u>4,402,290</u>	<u>134,345</u>
Net change in fund balances	(1,314,666)	85,709	(1,971,164)	2,292,069	(908,052)
Fund balances at beginning of year	<u>18,401,390</u>	<u>1,484,037</u>	<u>30,307,929</u>	<u>6,795,424</u>	<u>56,988,780</u>
Fund balances at end of year	<u>\$ 17,086,724</u>	<u>\$ 1,569,746</u>	<u>\$ 28,336,765</u>	<u>\$ 9,087,493</u>	<u>\$ 56,080,728</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$	(908,052)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 5,841,386	
Current year depreciation	<u>(174,437)</u>	
Total		5,666,949
The net effect of capital assets (disposals) is to decrease net position		
		(20,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(80,790)	
Income taxes	7,467	
Earnings on investments	(2,466)	
Intergovernmental	<u>(1,253,921)</u>	
Total		(1,329,710)
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
		366,260
Capital lease transactions are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position		
		(134,345)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) decrease in accrued interest payable	545	
Accreted interest on capital appreciation bonds	(32,515)	
Amortization of bond premiums	<u>45,103</u>	
Total		13,133
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(43,475)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,094,510
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		<u>(1,041,122)</u>
Change in net position of governmental activities	\$	<u><u>3,664,148</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 6,681,125	\$ 7,223,803	\$ 7,223,803	\$ -
Income taxes.	2,732,950	2,842,531	2,842,531	-
Payment in lieu of taxes.	300,000	398,359	398,359	-
Tuition.	556,975	556,974	495,352	(61,622)
Earnings on investments	100,825	159,825	167,443	7,618
Classroom materials and fees	-	-	1,840	1,840
Rental income	5,000	10,000	13,170	3,170
Contributions and donations	-	-	62	62
Other local revenues	-	66,641	10,680	(55,961)
Intergovernmental - state	5,711,689	5,752,223	5,760,487	8,264
Intergovernmental - federal	11,717	30,465	30,465	-
Total revenues	<u>16,100,281</u>	<u>17,040,821</u>	<u>16,944,192</u>	<u>(96,629)</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,592,292	7,602,786	7,172,830	429,956
Special.	1,806,451	1,813,254	1,534,624	278,630
Vocational.	230,292	239,092	235,349	3,743
Other.	262,720	237,303	172,485	64,818
Support services:				
Pupil.	476,552	502,259	485,919	16,340
Instructional staff	514,552	518,818	450,507	68,311
Board of education	101,097	135,605	121,620	13,985
Administration.	1,286,721	1,290,126	1,232,936	57,190
Fiscal	502,782	500,083	489,210	10,873
Business	3,177	3,775	1,966	1,809
Operations and maintenance.	1,229,052	1,247,566	1,089,051	158,515
Pupil transportation	1,071,270	1,052,822	1,005,815	47,007
Central.	120,530	117,118	103,628	13,490
Extracurricular activities.	277,635	281,311	262,946	18,365
Facilities acquisition and construction	19,630	810,881	807,643	3,238
Total expenditures	<u>15,494,753</u>	<u>16,352,799</u>	<u>15,166,529</u>	<u>1,186,270</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>605,528</u>	<u>688,022</u>	<u>1,777,663</u>	<u>1,089,641</u>
Other financing sources (uses):				
Refund of prior year's expenditures	1,000	5,500	6,400	900
Transfers in	50,650	50,650	31,919	(18,731)
Transfers (out).	(3,079,300)	(4,481,568)	(4,481,568)	-
Sale of capital assets	1,000	2,169	3,787	1,618
Total other financing sources (uses)	<u>(3,026,650)</u>	<u>(4,423,249)</u>	<u>(4,439,462)</u>	<u>(16,213)</u>
Net change in fund balance	(2,421,122)	(3,735,227)	(2,661,799)	1,073,428
Fund balance at beginning of year	17,600,972	17,600,972	17,600,972	-
Prior year encumbrances appropriated	354,714	354,714	354,714	-
Fund balance at end of year	<u>\$ 15,534,564</u>	<u>\$ 14,220,459</u>	<u>\$ 15,293,887</u>	<u>\$ 1,073,428</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and investments	\$ 433,159	\$ 64,891
Total assets.	<u>433,159</u>	<u>\$ 64,891</u>
Liabilities:		
Accounts payable.	8,375	\$ 500
Due to students.	-	64,391
Total liabilities	<u>8,375</u>	<u>\$ 64,891</u>
Net position:		
Held in trust for scholarships	<u>424,784</u>	
Total net position.	<u>\$ 424,784</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 3,877
Gifts and contributions	52,023
Total additions.	55,900
 Deductions:	
Scholarships awarded	70,108
Change in net position	(14,208)
Net position at beginning of year.	438,992
Net position at end of year	\$ 424,784

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Johnstown-Monroe Local School District (the "District") is located in Licking County in Johnstown, Ohio. The District was established in 1813 through the consolidation of existing land areas and school districts. The District currently serves an area of approximately 49 square miles and includes all of the Village of Johnstown and portions of Monroe, Liberty and Jersey Townships in Licking County and Harlem Township in Delaware County.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 4 instructional buildings, 1 administrative building and 1 garage. The District employs 50 classified and 118 certified (including administrative) full-time and part-time employees to provide services to approximately 1,610 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Licking Area Computer Association (LACA)

LACA is the computer service organization or Data Acquisition Site (DAS) used by the District. LACA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Licking County Educational Service Center acts as the fiscal agent for the association. The purpose of the association is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All Districts in the association are required to pay fees, charges and assessments as charged. A Board made up of superintendents from all of the participating districts governs LACA. An elected Executive Board consisting of five members of the Governing Board is the managerial body of the association and meets on a monthly basis. The District does not maintain an ongoing financial interest or an ongoing financial responsibility.

Career and Technology Education Centers of Licking County ("C-TEC")

"C-TEC" is a distinct political subdivision of the State of Ohio operated under the direction of a Board of Education consisting of one representative from each of the nine participating school districts' elected boards, which possesses its own budgeting and taxing authority. Financial statements can be obtained from "C-TEC" administrative offices at 150 Price Road, Newark, Ohio 43055.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom facilities - A capital projects fund is used to account for and report monies received that are restricted for expenditures in connection with contracts entered into by the District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Bond retirement fund - This fund is used to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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 therefore not available to support the District's own programs. The District's trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current deferred inflows of resources generally are included on the balance sheet.

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For the District, see Note 13 for deferred outflows of resources related to the District's net pension liability.

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

For the District, see Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the fund level for all funds. Any budgetary modifications at the legal level of budgetary control may only be made by resolution of the Board of Education.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying a new amended certificate is not necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

In the budgetary statement, the amounts reported as the original budgeted amounts represent the first appropriations passed by the Board during the fiscal year including amounts automatically carried over from prior years and the amounts reported as the final budgeted amounts represent the final appropriations passed by the Board during the fiscal year; including all amendments.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" in the basic financial statements.

During fiscal year 2016, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), non-negotiable certificates of deposit, negotiable certificates of deposit, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) Securities, Federal National Mortgage Association (FNMA) securities, commercial paper and U.S. Treasury money markets.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, classroom facilities fund, food service fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$211,880 which includes \$81,946 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

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

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 30 years
Buildings and improvements	20 - 40 years
Furniture and equipment	5 - 25 years
Vehicles	5 - 20 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from loans to cover negative cash balances at June 30 are classified as “due to/due from other funds”. These amounts are eliminated in the governmental activities column on the statement of net position.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2016, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. (For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, employees age 50 with at least 10 years of service or any age with 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16).

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Obligations

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

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

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 the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

O. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2016, the balance in the budget stabilization reserve was \$817,339. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

P. Estimates

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Interfund Activity

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

R. Pensions

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

S. Extraordinary and Special Items

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

T. Fair Value

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

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

<u>Nonmajor fund</u>	<u>Deficit</u>
Title I	\$ 9,540

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$15,462,329. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$49,882 of the District’s bank balance of \$15,702,097 was exposed to custodial risk as discussed below, while \$15,652,215 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 410,240	\$ -	\$ -	\$ -	\$ -	\$ 410,240
FHLB	12,086,266	5,303,064	5,471,482	-	-	1,311,720
FHLMC	5,664,971	-	2,409,096	1,040,097	-	2,215,778
FNMA	5,255,865	-	1,603,232	1,188,658	411,109	2,052,866
U.S. Government						
Money Market	1,188,814	1,188,814	-	-	-	-
Commercial Paper	12,983,489	7,750,200	5,233,289	-	-	-
Negotiable CDs	4,976,216	1,250,397	958,572	750,881	503,357	1,513,009
Star Ohio	3,198	3,198	-	-	-	-
Total	\$ 42,569,059	\$ 15,495,673	\$ 15,675,671	\$ 2,979,636	\$ 914,466	\$ 7,503,613

The weighted average maturity of the District’s investments is 1.08 years.

The District’s investments in federal agency securities, negotiable certificates of deposit, commercial paper, STAR Ohio and U.S. Treasury notes are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The District's investments in federal securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in commercial paper were rated either an A-1 or A-1+ by Standard & Poor's and P-1 by Moody's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The U.S. Government money market is not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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 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 that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 410,240	0.96
FHLB	12,086,266	28.39
FHLMC	5,664,971	13.31
FNMA	5,255,865	12.35
U.S. Government		
Money Market	1,188,814	2.79
Commercial Paper	12,983,489	30.50
Negotiable CDs	4,976,216	11.69
Star Ohio	<u>3,198</u>	<u>0.01</u>
 Total	 <u>\$ 42,569,059</u>	 <u>100.00</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 15,462,329
Investments	<u>42,569,059</u>
Total	<u>\$ 58,031,388</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 57,533,338
Private-purpose trust funds	433,159
Agency fund	<u>64,891</u>
Total	<u>\$ 58,031,388</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the fiscal year ended June 30, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Bond retirement fund	\$ 47,358
Nonmajor governmental funds	<u>4,402,290</u>
Total	<u>\$ 4,449,648</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers made in fiscal year 2016 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund balances at June 30, 2016 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$ 535</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2016 are reported on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Licking and Delaware Counties. 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, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$544,986 in the general fund, \$137,946 in the bond retirement fund and \$9,239 in the classroom facilities maintenance fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$439,099 in the general fund, \$117,025 in the bond retirement fund and \$7,417 in the classroom facilities maintenance fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

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

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 260,231,870	95.95	\$ 260,524,490	94.88
Public utility personal	<u>10,996,320</u>	<u>4.05</u>	<u>14,058,820</u>	<u>5.12</u>
Total	<u>\$ 271,228,190</u>	<u>100.00</u>	<u>\$ 274,583,310</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 40.90		\$ 46.40	

NOTE 7 - RECEIVABLES

Receivables for governmental activities at June 30, 2016 consisted of property taxes, income taxes, accounts, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 9,231,315
Income taxes	1,229,345
Accounts	18,468
Accrued interest	14,190
Intergovernmental	<u>9,344,178</u>
Total	<u>\$ 19,837,496</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the \$9,248,217 receivable from the Ohio Facilities Construction Commission, which will be collected over the life of the project.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - INCOME TAXES

The District levies a voted income tax of one percent on the income of residents and on estates for general operations of the District. The income tax became effective on January 1, 2009 and is in effect for a period of five years, until December 31, 2013. This income tax levied was renewed for an additional five year term. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$2,890,423 for fiscal year 2016.

NOTE 9 - CAPITAL ASSETS

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

	Balance <u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/16</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 280,961	\$ 20,000	\$ -	\$ 300,961
Construction in progress	<u>797,847</u>	<u>5,392,290</u>	<u>-</u>	<u>6,190,137</u>
Total capital assets, not being depreciated	<u>1,078,808</u>	<u>5,412,290</u>	<u>-</u>	<u>6,491,098</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	922,299	26,850	(20,000)	929,149
Buildings and improvements	4,789,267	150,013	-	4,939,280
Furniture and equipment	2,140,581	198,446	-	2,339,027
Vehicles	<u>21,237</u>	<u>53,787</u>	<u>-</u>	<u>75,024</u>
Total capital assets, being depreciated	<u>7,873,384</u>	<u>429,096</u>	<u>(20,000)</u>	<u>8,282,480</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(899,672)	(9,037)	-	(908,709)
Buildings and improvements	(3,759,329)	(106,878)	-	(3,866,207)
Furniture and equipment	(1,432,586)	(45,695)	-	(1,478,281)
Vehicles	<u>(11,797)</u>	<u>(12,827)</u>	<u>-</u>	<u>(24,624)</u>
Total accumulated depreciation	<u>(6,103,384)</u>	<u>(174,437)</u>	<u>-</u>	<u>(6,277,821)</u>
Governmental activities capital assets, net	<u>\$ 2,848,808</u>	<u>\$ 5,666,949</u>	<u>\$ (20,000)</u>	<u>\$ 8,495,757</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 28,351
Special	3,671
Vocational	879
<u>Support services:</u>	
Pupil	166
Instructional staff	3,599
Board of education	1,726
Administration	2,838
Fiscal	76
Operations and maintenance	96,055
Extracurricular activities	33,944
Food service operations	<u>3,132</u>
Total depreciation expense	<u>\$ 174,437</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During 2016, the District entered into capital lease agreements for the acquisition of copiers. These leases meet the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reflected as function expenditures on the budgetary statements. Capital assets acquired by lease have been capitalized in the amount of \$134,345, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2016 was \$13,435, leaving a current book value of \$120,910. A corresponding liability was recorded in the statement of net position. Principal payments in the 2016 fiscal year totaled \$24,257. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liability on the statement of net position.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 30,423
2018	30,423
2019	30,423
2020	<u>30,423</u>
Total minimum lease payment	121,692
Less: amount representing interest	<u>(11,604)</u>
Present value of minimum lease payments	<u>\$ 110,088</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year ended June 30, 2016, the following changes occurred in the District's long-term obligations.

	Balance Outstanding <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/16</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Net pension liability	\$ 15,467,974	\$ 2,907,559	\$ -	\$ 18,375,533	\$ -
School improvement bonds - 2014	35,705,000	-	(295,000)	35,410,000	460,000
School improvement bonds - 2014 (CABS)	154,999	-	-	154,999	-
School improvement bonds - 2014 (accrued interest)	17,334	32,515	-	49,849	-
Compensated absences	454,651	100,870	(62,727)	492,794	39,841
Capital lease obligation	-	134,345	(24,257)	110,088	25,498
HB 264 energy conservation notes	<u>47,003</u>	<u>-</u>	<u>(47,003)</u>	<u>-</u>	<u>-</u>
Total long-term obligations, governmental activities	<u>\$ 51,846,961</u>	<u>\$ 3,175,289</u>	<u>\$ (428,987)</u>	<u>\$ 54,593,263</u>	<u>\$ 525,339</u>
Add: Premium on refunding				<u>1,642,508</u>	
Total on statement of net position				<u>\$ 56,235,771</u>	

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund. See Note 10 for capital lease obligation detail. See Note 13 for net pension liability detail.

- B. Energy conservation notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the bond retirement fund.

The following is a description of the District's energy conservation notes. These notes matured during 2016.

	Interest <u>Rate</u>	Maturity <u>Date</u>	Balance Outstanding <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/16</u>	Amounts Due in <u>One Year</u>
Governmental activities:							
Energy conservation note - 2006	2.06%	1/27/16	<u>\$ 47,003</u>	<u>\$ -</u>	<u>\$ (47,003)</u>	<u>\$ -</u>	<u>\$ -</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. On October 22, 2014, the District issued general obligation bonds to finance a school building facility project. The refunding issue is comprised of both current interest bonds, par value \$35,705,000 and capital appreciation bonds par value \$154,999. The interest rates on the current interest bonds range from 1.500% - 5.00%. The capital appreciation bonds mature on December 1, 2021 (stated interest rate 29.245%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2021 is \$530,000. Total accreted interest of \$49,849 has been included in the statement of net position at June 30, 2016.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2052. Payments of principal and interest relating to this issuance are recorded as expenditures in the bond retirement fund.

D. The following is a summary of the District's future annual debt service requirements to maturity for the outstanding bonds and notes:

Fiscal Year Ending June 30	Current Interest G.O. Bonds (Series 2014)			Capital Appreciation G.O. Bonds (Series 2014)		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 460,000	\$ 1,475,425	\$ 1,935,425	\$ -	\$ -	\$ -
2018	470,000	1,466,125	1,936,125	-	-	-
2019	480,000	1,455,425	1,935,425	-	-	-
2020	490,000	1,439,625	1,929,625	-	-	-
2021	510,000	1,419,625	1,929,625	-	-	-
2022 - 2026	2,250,000	6,871,526	9,121,526	154,999	375,001	530,000
2027 - 2031	3,360,000	6,263,925	9,623,925	-	-	-
2032 - 2036	4,215,000	5,402,000	9,617,000	-	-	-
2037 - 2041	5,085,000	4,496,888	9,581,888	-	-	-
2042 - 2046	6,440,000	3,102,575	9,542,575	-	-	-
2047 - 2051	7,990,000	1,556,000	9,546,000	-	-	-
2052 - 2053	3,660,000	147,800	3,807,800	-	-	-
Total	\$ 35,410,000	\$ 35,096,939	\$ 70,506,939	\$ 154,999	\$ 375,001	\$ 530,000

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, resulted in a voted debt margin of \$(9,282,755) an unvoted debt margin of \$274,583 and an energy conservation debt margin of \$2,471,250. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation for the cost of locally funded initiatives in relation to the ongoing Ohio Facilities Construction Commission Project.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2016, the District contracted with various commercial insurance carriers for the following coverages:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limitations</u>
Building - replacement cost	\$ 1,000	\$46,314,386
Earthquake	none	not covered
Flood	none	not covered
Vehicle Liability - each accident	none	6,000,000
Uninsured Motorists - each accident	none	1,000,000
Commercial Crime:		
Employee dishonesty	1,000	25,000
Forgery or alteration	1,000	25,000
Employee Benefits Liability:		
Per occurrence	2,500	Included in the fiduciary liability – each fiduciary claim limit
Aggregate	2,500	Included in the fiduciary liability – each fiduciary claim limit
Employer's Liability:		
Each accident	none	6,000,000
Each employee	none	6,000,000
Aggregate Limit	none	6,000,000

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT - (Continued)

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limitations</u>
General Liability:		
Per occurrence	none	\$6,000,000
General aggregate	none	8,000,000
Errors and omissions	none	6,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amounts of insurance coverage from fiscal year 2015.

B. Employee Health

The District provides medical/surgical benefits insurance and employee dental insurance to its employees through Anthem Blue Cross/Blue Shield, two fully funded programs. The District has also elected to provide life insurance and accidental death and dismemberment insurance to all employees through Anthem Blue Cross/Blue Shield.

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the 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.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$228,470 for fiscal year 2016. Of this amount, \$28,122 is reported as pension obligation payable.

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.

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

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

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$866,040 for fiscal year 2016. Of this amount, \$146,122 is reported as pension obligation payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,849,334	\$ 15,526,199	\$ 18,375,533
Proportion of the net pension liability	0.04993490%	0.05617888%	
Pension expense	\$ 291,861	\$ 749,261	\$ 1,041,122

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 44,529	\$ 704,160	\$ 748,689
Changes in proportionate share	116,803	484,061	600,864
District contributions subsequent to the measurement date	<u>228,470</u>	<u>866,040</u>	<u>1,094,510</u>
Total deferred outflows of resources	<u>\$ 389,802</u>	<u>\$ 2,054,261</u>	<u>\$ 2,444,063</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 67,616</u>	<u>\$ 1,046,729</u>	<u>\$ 1,114,345</u>
Total deferred inflows of resources	<u>\$ 67,616</u>	<u>\$ 1,046,729</u>	<u>\$ 1,114,345</u>

\$1,094,510 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ 11,440	\$ (108,884)	\$ (97,444)
2018	11,440	(108,884)	(97,444)
2019	11,442	(108,885)	(97,443)
2020	<u>59,394</u>	<u>468,145</u>	<u>527,539</u>
Total	<u>\$ 93,716</u>	<u>\$ 141,492</u>	<u>\$ 235,208</u>

Actuarial Assumptions - SERS

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
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	100.00 %	

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%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,951,002	\$ 2,849,334	\$ 1,921,638

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
Projected salary 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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<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, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (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%)
District's proportionate share of the net pension liability	\$ 21,567,062	\$ 15,526,199	\$ 10,417,749

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$26,611.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$26,611, \$35,328, and \$23,373, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$55,754 respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis); and,
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (2,661,799)
Net adjustment for revenue accruals	247,240
Net adjustment for expenditure accruals	(39,056)
Net adjustment for other sources/uses	124,159
Funds budgeted elsewhere *	14,229
Adjustment for encumbrances	1,000,561
GAAP basis	<u>\$ (1,314,666)</u>

*Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not party to legal proceedings.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional 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 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, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	270,756
Current year qualifying expenditures	(226,799)
Current year offsets	<u>(4,402,290)</u>
Total	<u>\$ (4,358,333)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During fiscal years 1999 and in 2006, the District issued a total of \$837,878 in capital related HB 264 energy conservation notes and in 2015, the District issued \$35,859,999 in school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$36,366,790 at June 30, 2016.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 1,028,764
Classroom facilities	21,859,126
Other governmental	<u>3,729,574</u>
Total	<u>\$ 26,617,464</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.04993490%	0.04558600%	0.04558600%
District's proportionate share of the net pension liability	\$ 2,849,334	\$ 2,307,082	\$ 2,710,853
District's covered-employee payroll	\$ 1,503,300	\$ 1,324,639	\$ 1,055,311
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	256.88%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.05617888%	0.05410800%	0.05410800%
District's proportionate share of the net pension liability	\$ 15,526,199	\$ 13,160,892	\$ 15,677,168
District's covered-employee payroll	\$ 5,953,993	\$ 5,528,323	\$ 5,523,623
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.77%	238.06%	283.82%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 228,470	\$ 198,135	\$ 183,595	\$ 146,055
Contributions in relation to the contractually required contribution	<u>(228,470)</u>	<u>(198,135)</u>	<u>(183,595)</u>	<u>(146,055)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,631,929	\$ 1,503,300	\$ 1,324,639	\$ 1,055,311
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007
\$ 138,003	\$ 120,367	\$ 130,963	\$ 97,561	\$ 99,458	\$ 119,438
<u>(138,003)</u>	<u>(120,367)</u>	<u>(130,963)</u>	<u>(97,561)</u>	<u>(99,458)</u>	<u>(119,438)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,026,045	\$ 957,574	\$ 967,230	\$ 991,474	\$ 1,012,811	\$ 1,118,333
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 866,040	\$ 833,559	\$ 718,682	\$ 718,071
Contributions in relation to the contractually required contribution	<u>(866,040)</u>	<u>(833,559)</u>	<u>(718,682)</u>	<u>(718,071)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,186,000	\$ 5,953,993	\$ 5,528,323	\$ 5,523,623
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$ 733,143	\$ 706,645	\$ 688,434	\$ 705,657	\$ 720,879	\$ 705,819
(733,143)	(706,645)	(688,434)	(705,657)	(720,879)	(705,819)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,639,562	\$ 5,435,731	\$ 5,295,646	\$ 5,428,131	\$ 5,545,223	\$ 5,429,377
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014, 2015, and 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014, 2015, and 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014, 2015, and 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014, 2015, and 2016. See the notes to the basic financials for the methods and assumptions in this calculation.



Julian & Grube, Inc.

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards*

Johnstown-Monroe Local School District
Licking County
441 South Main Street
Johnstown, Ohio 43031

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Johnstown-Monroe Local School District, Licking County, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Johnstown-Monroe Local School District's basic financial statements and have issued our report thereon dated October 18, 2016.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Johnstown-Monroe Local School District

Compliance and Other Matters

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

Purpose of this Report

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

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

Julian & Grube, Inc.
October 18, 2016



Dave Yost • Auditor of State

JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT

LICKING 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 27, 2016**