



Dave Yost • Auditor of State



MADEIRA CITY SCHOOL DISTRICT  
HAMILTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Madeira City School District  
Hamilton County  
7465 Loannes Drive  
Cincinnati, Ohio 45243

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 Madeira City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Madeira City School District, Hamilton County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 20 to the financial statements, during the year ended June 30, 2015, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and the *required budgetary comparison schedule* 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 January 5, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 5, 2016

**Madeira City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
**(Unaudited)**

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

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased \$1,642,828 from 2014.
- General revenues accounted for \$20,155,400 in revenue or 91% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,036,706 or 9% of total revenues of \$22,192,106.
- The District had \$20,549,278 in expenses related to governmental activities; \$2,036,706 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$20,155,400 were also used to provide for these programs.

**Overview of the Financial Statements**

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

The *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. The General and the Debt Service funds, are the major funds of the District.

**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial

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and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities and interest and fiscal charges.

**Fund Financial Statements**

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

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

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

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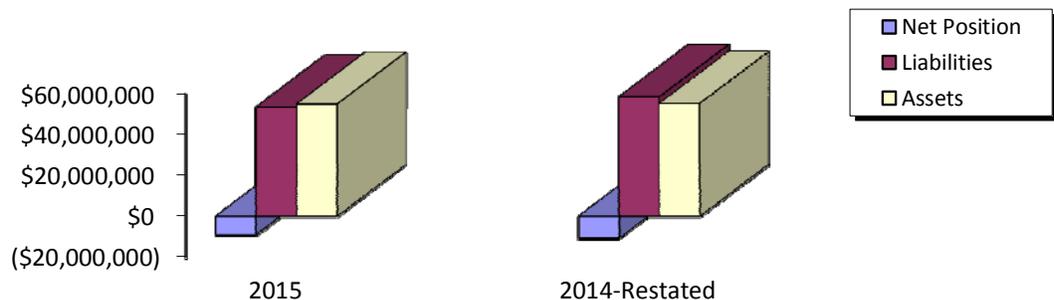
**Madeira City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
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**The District as a Whole**

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

**Table 1  
Net Position**

	Governmental Activities	
	2015	2014, Restated
Assets:		
Current and Other Assets	\$25,809,800	\$25,666,860
Capital Assets	29,109,127	29,553,640
<b>Total Assets</b>	<b>54,918,927</b>	<b>55,220,500</b>
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	1,061,050	1,123,464
	1,732,007	1,462,360
<b>Total Deferred Outflows of Resources</b>	<b>2,793,057</b>	<b>2,585,824</b>
Liabilities:		
Other Liabilities	2,604,266	4,116,703
Long-Term Liabilities	50,861,881	55,819,680
<b>Total Liabilities</b>	<b>53,466,147</b>	<b>59,936,383</b>
Deferred Inflows of Resources:		
Property Tax	8,667,051	8,252,246
Revenue in Lieu of Taxes	210,000	210,000
Pension	4,318,263	0
<b>Total Deferred Inflows of Resources</b>	<b>13,195,314</b>	<b>8,462,246</b>
Net Position:		
Net Investment in Capital Assets	5,147,174	5,218,775
Restricted	2,402,713	1,980,117
Unrestricted	(16,499,364)	(17,791,197)
<b>Total Net Position</b>	<b>(\$8,949,477)</b>	<b>(\$10,592,305)</b>



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

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

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

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

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

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

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pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$16,145,763 to \$(10,592,305).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows were less than liabilities and deferred inflows by \$8,949,477.

At year-end, capital assets represented 50% of total assets and deferred outflows. Capital assets include land, construction in progress, buildings and improvements, and equipment. Net investment in capital assets at June 30, 2015, totaled \$5,147,174. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,402,713 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets increased due to an increase in tax receivable, which was mainly due to an increase in resources available to the District in fiscal year 2015 as compared to fiscal year 2014. Capital assets decreased due to depreciation expense being greater than current year additions. Other liabilities decreased due to a decrease in contracts payable. Long term liabilities decreased mainly due to the District making regularly scheduled principal and interest payments and a decrease in net pension liability.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

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**Madeira City School District**  
**Management's Discussion and Analysis**  
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(Unaudited)

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

	Governmental Activities	
	2015	2014, Restated
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$1,078,068	\$976,438
Operating Grants and Contributions	958,638	826,158
Total Program Revenues	2,036,706	1,802,596
General Revenues:		
Property Taxes	14,859,543	14,962,614
Grants and Entitlements	4,874,637	4,615,877
Other	421,220	344,760
Total General Revenues	20,155,400	19,923,251
Total Revenues	22,192,106	21,725,847
Program Expenses:		
Instruction	12,076,424	12,006,429
Support Services:		
Pupil and Instructional Staff	1,694,113	1,774,615
School Administrative, General Administration, Fiscal and Business	1,817,183	2,031,478
Operations and Maintenance	1,502,236	1,449,757
Pupil Transportation	883,838	847,899
Central	52,156	35,993
Operation of Non-Instructional Services	699,974	654,079
Extracurricular Activities	604,373	545,325
Interest and Fiscal Charges	1,218,981	1,322,284
Total Program Expenses	20,549,278	20,667,859
Changes in Net Position	1,642,828	1,057,988
Net Position - Beginning of Year, Restated	(10,592,305)	N/A
Net Position - End of Year	(\$8,949,477)	(\$10,592,305)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$1,462,360 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$1,145,152. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

**Madeira City School District  
Management’s Discussion and Analysis  
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(Unaudited)**

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Total 2015 program expenses under GASB 68	\$20,549,278
Program expenses under GASB 68	(1,145,152)
2015 contractually required contributions	<u>1,507,056</u>
Adjusted 2015 program expenses	20,911,182
Total 2014 program expenses under GASB 27	<u>20,667,859</u>
Increase in program expenses not related to pension	<u><u>\$243,323</u></u>

The District revenues came from mainly two sources. Property taxes levied for general and debt service purposes, as well as grants and entitlements comprised 89% of the District’s revenues for governmental activities.

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

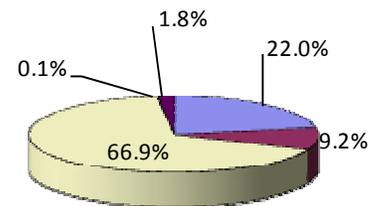
Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Property taxes made up 67% of governmental activities for the District in fiscal year 2015. The District’s reliance upon tax revenues is demonstrated in the following graph:

**Governmental Activities  
Revenue Sources**

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Revenue Sources	2015	Percent of Total
General Grants	\$4,874,637	22.0%
Program Revenues	2,036,706	9.2%
General Tax Revenues	14,859,543	66.9%
Investment Earnings	14,404	0.1%
Other Revenues	<u>406,816</u>	1.8%
	<u><u>\$22,192,106</u></u>	<u><u>100.0%</u></u>



Instruction comprises 59% of governmental program expenses. Support services expenses were 29% of governmental program expenses. All other expenses including interest expense were 12%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenues decreased from the prior year mainly due to a decrease in property tax advances available. Total Expenses remained relatively consistent in 2015 as compared to 2014.

**Madeira City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
(Unaudited)

**Governmental Activities**

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

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

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$12,076,424	\$12,006,429	(\$11,278,823)	(\$11,395,175)
Support Services:				
Pupil and Instructional Staff	1,694,113	1,774,615	(1,649,994)	(1,722,119)
School Administrative, General				
Administration, Fiscal and Business	1,817,183	2,031,478	(1,787,344)	(2,021,176)
Operations and Maintenance	1,502,236	1,449,757	(1,496,275)	(1,443,727)
Pupil Transportation	883,838	847,899	(866,449)	(836,979)
Central	52,156	35,993	(52,156)	(35,993)
Operation of Non-Instructional Services	699,974	654,079	63,985	109,341
Extracurricular Activities	604,373	545,325	(226,535)	(197,151)
Interest and Fiscal Charges	1,218,981	1,322,284	(1,218,981)	(1,322,284)
Total Expenses	<u>\$20,549,278</u>	<u>\$20,667,859</u>	<u>(\$18,512,572)</u>	<u>(\$18,865,263)</u>

**The District's Funds**

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these funds comprised \$25,251,407 (98%) of the total \$25,809,800 governmental fund assets.

**General Fund:** Fund balance at June 30, 2015 was \$11,226,007. Fund balance increased \$878,688 from the prior year. The primary reason for the increase in fund balance was an increase in intergovernmental revenues.

**Debt Service Fund:** Fund balance at June 30, 2015 was \$2,262,199. Fund balance increased \$398,025 from 2014. The primary reason for the increase in fund balance was revenues exceeding expenditures which is consistent with prior years.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2015, the District amended its general fund budget, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

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Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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For the General Fund, final budget basis estimated revenue was \$17,990,907, compared to original budget estimates of \$17,479,465. Of the \$511,442 difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District’s ending unobligated actual fund balance for the General Fund was \$7,551,637.

**Capital Assets and Debt Administration**

***Capital Assets***

At fiscal year end, the District had \$29,109,127 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

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

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	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$1,233,381	\$963,381
Construction in Progress	1,546,600	1,434,600
Buildings and Improvements	26,034,581	26,726,568
Equipment	<u>294,565</u>	<u>429,091</u>
Total Net Capital Assets	<u>\$29,109,127</u>	<u>\$29,553,640</u>

The District continues its ongoing commitment to maintaining and improving its capital assets.

See Note 6 to the basic financial statements for further details on the District’s capital assets.

***Debt***

At fiscal year end, the District had \$26,468,705 in bonds and capital leases payable, \$889,777 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

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**Management’s Discussion and Analysis**  
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(Unaudited)

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

	Governmental Activities	
	2015	2014
General Obligation Bonds:		
2003 School Improvement Refunding Bonds:		
Current Interest	\$0	\$560,000
Capital Appreciation	19,994	19,994
Accretion of Interest	714,320	581,314
2005 School Improvement Bonds:		
Current Interest	990,000	990,000
Capital Appreciation	0	110,000
Accretion of Interest	0	258,398
2006 School Improvement Refunding Bonds:		
Current Interest	20,105,000	20,105,000
Capital Appreciation	2,060,000	2,060,000
Accretion of Interest	731,382	654,536
Premium on Refunding Bonds	1,140,711	1,207,812
Capital Leases	<u>707,298</u>	<u>405,523</u>
Total Bonds and Capital Leases	<u>\$26,468,705</u>	<u>\$26,952,577</u>

See Note 7-9 to the basic financial statements for further details on the District’s long-term obligations.

**For the Future**

In June, 2011, Ohio’s Governor signed HB153, the state biennium budget bill for 2012 and 2013. Language included in HB153 eliminated the OEBM funding model. In June 2013, Ohio’s Governor signed HB59, the state biennium budget bill for 2014 and 2015. A new funding model was introduced. Simulations received from the state indicate Madeira will continue to be guaranteed funding amounts that were received in the previous biennium with no increase in funding.

In June 2015, Ohio’s Governor signed HB64, the state biennium budget bill for 2016 and 2017. No new funding model was introduced. Simulations received from the state indicate Madeira will continue to be guaranteed funding amounts that were received in the previous biennium with no increase in funding.

Due to the uncertain and ever changing State budget allocation to public schools, the district will be required to manage carefully and prudently the resources currently available. With careful planning the monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**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 Susan Crabill, Treasurer at Madeira City School District, 7465 Loannes Drive, Cincinnati, Ohio 45243. Or E-mail at [scrabill@madeiracityschools.org](mailto:scrabill@madeiracityschools.org).

Madeira City School District  
Statement of Net Position  
June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$10,277,891
Receivables (Net):	
Taxes	15,204,279
Intergovernmental	327,630
Nondepreciable Capital Assets	2,779,981
Depreciable Capital Assets, Net	<u>26,329,146</u>
 Total Assets	 <u>54,918,927</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	1,061,050
	<u>1,732,007</u>
 Total Deferred Outflows of Resources	 <u>2,793,057</u>
 Liabilities:	
Accounts Payable	244,290
Accrued Wages and Benefits	2,095,850
Contracts Payable	181,733
Accrued Interest Payable	82,393
Long-Term Liabilities:	
Due Within One Year	1,058,905
Due In More Than One Year	
Net Pension Liability	23,789,908
Other Amounts	<u>26,013,068</u>
 Total Liabilities	 <u>53,466,147</u>
 Deferred Inflows of Resources:	
Property Taxes	8,667,051
Revenue in Lieu of Taxes	210,000
Pension	<u>4,318,263</u>
 Total Deferred Inflows of Resources	 <u>13,195,314</u>
 Net Position:	
Net Investment in Capital Assets	5,147,174
Restricted for:	
Debt Service	2,258,635
Federal Grants	68,509
District Managed Activities	64,483
Other Purposes	11,086
Unrestricted	<u>(16,499,364)</u>
 Total Net Position	 <u>(\$8,949,477)</u>

See accompanying notes to the basic financial statements.

Madeira City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$9,174,768	\$125,917	\$182,707	(\$8,866,144)
Special	2,423,561	30,742	458,235	(1,934,584)
Other	478,095	0	0	(478,095)
<b>Support Services:</b>				
Pupil	1,225,179	0	9,112	(1,216,067)
Instructional Staff	468,934	0	35,007	(433,927)
General Administration	49,190	0	0	(49,190)
School Administration	1,099,362	29,839	0	(1,069,523)
Fiscal	561,594	0	0	(561,594)
Business	107,037	0	0	(107,037)
Operations and Maintenance	1,502,236	5,961	0	(1,496,275)
Pupil Transportation	883,838	0	17,389	(866,449)
Central	52,156	0	0	(52,156)
Operation of Non-Instructional Services	699,974	507,771	256,188	63,985
Extracurricular Activities	604,373	377,838	0	(226,535)
Interest and Fiscal Charges	1,218,981	0	0	(1,218,981)
<b>Totals</b>	<b>\$20,549,278</b>	<b>\$1,078,068</b>	<b>\$958,638</b>	<b>(18,512,572)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	12,794,673
Debt Service Purposes	2,064,870
Grants and Entitlements, Not Restricted	4,874,637
Revenue in Lieu of Taxes	212,165
Investment Earnings	14,404
Other Revenues	194,651

Total General Revenues 20,155,400

Change in Net Position 1,642,828

Net Position - Beginning of Year, Restated (10,592,305)

Net Position - End of Year (\$8,949,477)

See accompanying notes to the basic financial statements.

Madeira City School District  
Balance Sheet  
Governmental Funds  
June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$8,384,929	\$1,452,199	\$440,763	\$10,277,891
<b>Receivables (Net):</b>				
Taxes	13,132,260	2,072,019	0	15,204,279
Intergovernmental	210,000	0	117,630	327,630
<b>Total Assets</b>	<b>21,727,189</b>	<b>3,524,218</b>	<b>558,393</b>	<b>25,809,800</b>
<b>Liabilities:</b>				
Accounts Payable	205,266	0	39,024	244,290
Accrued Wages and Benefits	1,999,783	0	96,067	2,095,850
Compensated Absences	125,262	0	0	125,262
Contracts Payable	28,611	0	153,122	181,733
<b>Total Liabilities</b>	<b>2,358,922</b>	<b>0</b>	<b>288,213</b>	<b>2,647,135</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	7,932,260	1,262,019	0	9,194,279
Grants	0	0	117,630	117,630
Revenue in Lieu of Taxes	210,000	0	0	210,000
<b>Total Deferred Inflows of Resources</b>	<b>8,142,260</b>	<b>1,262,019</b>	<b>117,630</b>	<b>9,521,909</b>
<b>Fund Balances:</b>				
Restricted	0	2,262,199	75,569	2,337,768
Assigned	365,385	0	167,803	533,188
Unassigned	10,860,622	0	(90,822)	10,769,800
<b>Total Fund Balances</b>	<b>11,226,007</b>	<b>2,262,199</b>	<b>152,550</b>	<b>13,640,756</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$21,727,189</b>	<b>\$3,524,218</b>	<b>\$558,393</b>	<b>\$25,809,800</b>

See accompanying notes to the basic financial statements.

Madeira City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2015

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Total Governmental Fund Balance		\$13,640,756
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		29,109,127
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	527,228	
Intergovernmental	<u>117,630</u>	
		644,858
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(82,393)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(478,006)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		1,061,050
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,732,007	
Deferred inflows of resources related to pensions	<u>(4,318,263)</u>	
		(2,586,256)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability		(23,789,908)
Other Amounts		<u>(26,468,705)</u>
Net Position of Governmental Activities		<u><u>(\$8,949,477)</u></u>

See accompanying notes to the basic financial statements.

Madeira City School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$12,794,674	\$2,064,870	\$0	\$14,859,544
Tuition and Fees	168,795	0	46	168,841
Investment Earnings	12,046	1,562	750	14,358
Intergovernmental	4,772,076	298,183	733,885	5,804,144
Extracurricular Activities	155,030	0	230,628	385,658
Charges for Services	517,656	0	0	517,656
Revenue in Lieu of Taxes	211,860	305	0	212,165
Other Revenues	127,052	0	73,557	200,609
<b>Total Revenues</b>	<b>18,759,189</b>	<b>2,364,920</b>	<b>1,038,866</b>	<b>22,162,975</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,210,084	0	136,708	8,346,792
Special	2,132,659	0	309,878	2,442,537
Other	430,949	0	0	430,949
<b>Support Services:</b>				
Pupil	1,273,376	0	4,132	1,277,508
Instructional Staff	437,489	0	35,052	472,541
General Administration	49,190	0	0	49,190
School Administration	1,145,598	0	0	1,145,598
Fiscal	532,717	35,745	0	568,462
Business	51,771	0	0	51,771
Operations and Maintenance	1,443,437	0	2,951	1,446,388
Pupil Transportation	870,429	0	14,926	885,355
Central	13,745	0	0	13,745
Operation of Non-Instructional Services	393,952	0	291,965	685,917
Extracurricular Activities	335,816	0	267,890	603,706
Capital Outlay	421,000	0	472,924	893,924
<b>Debt Service:</b>				
Principal Retirement	331,525	975,000	0	1,306,525
Interest and Fiscal Charges	5,458	956,150	0	961,608
<b>Total Expenditures</b>	<b>18,079,195</b>	<b>1,966,895</b>	<b>1,536,426</b>	<b>21,582,516</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>679,994</b>	<b>398,025</b>	<b>(497,560)</b>	<b>580,459</b>
<b>Other Financing Sources (Uses):</b>				
Issuance of Capital Lease	633,300	0	0	633,300
Transfers In	0	0	434,606	434,606
Transfers (Out)	(434,606)	0	0	(434,606)
<b>Total Other Financing Sources (Uses)</b>	<b>198,694</b>	<b>0</b>	<b>434,606</b>	<b>633,300</b>
<b>Net Change in Fund Balance</b>	<b>878,688</b>	<b>398,025</b>	<b>(62,954)</b>	<b>1,213,759</b>
<b>Fund Balance - Beginning of Year</b>	<b>10,347,319</b>	<b>1,864,174</b>	<b>215,504</b>	<b>12,426,997</b>
<b>Fund Balance - End of Year</b>	<b>\$11,226,007</b>	<b>\$2,262,199</b>	<b>\$152,550</b>	<b>\$13,640,756</b>

See accompanying notes to the basic financial statements.

Madeira City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2015

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Net Change in Fund Balance - Total Governmental Funds \$1,213,759

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

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

Capital assets used in governmental activities	746,911	
Depreciation Expense	<u>(1,110,171)</u>	(363,260)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (81,253)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	1,507,056	
Cost of benefits earned net of employee contributions	<u>(1,145,152)</u>	361,904

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

Intergovernmental		29,131
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,306,525

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. (5,606)

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

Compensated Absences	66,695	
Amortization of Bond Premium	67,101	
Amortization of Deferred Charge on Refunding	(62,414)	
Bond Accretion	<u>(256,454)</u>	(185,072)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (633,300)

Change in Net Position of Governmental Activities \$1,642,828

See accompanying notes to the basic financial statements.

Madeira City School District  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund  
June 30, 2015

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$77,732</u>
Total Assets	<u>77,732</u>
Liabilities:	
Accounts Payable	255
Other Liabilities	<u>77,477</u>
Total Liabilities	<u>\$77,732</u>

See accompanying notes to the basic financial statements.

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**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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**Note 1 - Description of the District**

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The District was chartered by the Ohio State Legislature. In 1949 state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 57 non-certificated personnel and 126 certificated teaching and 8 administrative personnel to provide services to students and other community members.

The District currently operates 1 elementary school (grades K-4), 1 middle school (grades 5-8), and 1 senior high school (grades 9-12).

**Reporting Entity**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities. The District contracts with outside organizations for pupil transportation and food service.

The following activities are included within the reporting entity:

Within the District boundaries, St. Gertrude Elementary School is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity of this State money by the District is reflected in a special revenue fund for financial reporting purposes.

The District is associated with five organizations, of which four are defined as jointly governed organizations and the fifth is a group insurance consortium. These organizations include the Unified Purchasing Cooperative of Ohio River Valley, Great Oaks Institute of Technology and Career Development, Hamilton/Clermont Cooperative Association/Computer Consortium, the Greater Cincinnati Insurance Consortium and the Southwestern Ohio Educational Purchases Council (Workers' Compensation Group Rating Program).

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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

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

**Measurement Focus**

**Government-wide Financial Statements**

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

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

**Fund Financial Statements**

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

**Fund Accounting**

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

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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**Governmental Funds**

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

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

**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. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

**Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

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

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 year end: property taxes available for advance, grants and interest.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, 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.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows 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 tax incremental financing (TIF). These amounts are deferred and recognized as inflows of resources in the period the amounts become available. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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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 the governmental funds.

**Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the debt service fund during fiscal year 2015 amounted to \$1,562, \$12,046 for the general fund and \$750 for other governmental funds.

**Capital Assets**

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 five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated, except land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 50 years
Equipment	5 - 20 years

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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For governmental fund financial statements, the current portion of unpaid compensated absences are recognized when due. The related liabilities are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated Year Round Employees</u>
How earned	Not Eligible	15-20 days for each service year depending on length of service.	10-20 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	15-20 days	10-20 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination

**Sick Leave**

How Earned Regular Full Time	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Regular Part Time	4.6 hrs paid sick leave for 80 hrs of service	4.6 hrs paid sick leave for 80 hrs of service	4.6 hrs paid sick leave for 80 hrs of service

<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
Maximum Accumulation	220	220	220
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

**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

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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(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.

**Net Position**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$2,402,713 in restricted net position, none were restricted by enabling legislation.

**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 financial statements.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Position.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

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Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

**Estimates**

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

**Note 3 - Equity in Pooled Cash and Investments**

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

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

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such

**Madeira City School District**  
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obligations, provided that investments in securities described in this division are made only through eligible institutions.

- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys 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.

### **Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2015, \$6,358,989 of the District's bank balance of \$8,647,608 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least

**Madeira City School District**  
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equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**Investments**

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
Federal Home Loan Bank	\$505,567	4.13
Federal Farm Credit Bank	499,762	1.69
Federal National Mortgage Association	225,169	2.00
Commercial Paper	300,097	0.42
Money Market Funds	290,730	0.00
Total Fair Value	\$1,821,325	
Portfolio Weighted Average Maturity		1.93

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association, and Money Market Funds were rated AAA by Standard & Poor’s and Fitch ratings and Aaa by Moody’s Investment Service. The District’s investments in Commercial Paper was rated A-1+ by Standard & Poor’s ratings and P-1 by Moody’s Investment Service.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 28% in Federal Home Loan Bank, 13% in Federal National Mortgage Association, 27% in Federal Farm Credit Bank, 16% in Commercial Paper, and 16% in Money Market Funds.

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. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

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**Notes to the Basic Financial Statements**  
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**Note 4 - Property Taxes**

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Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2015 (other than public utility property tax) represents the collection of 2015 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows for that portion not intended to finance \$5,200,000 in the General Fund and \$810,000 in the Debt Service Fund.

The assessed value, by property classification, upon which taxes collected in 2015 were based as follows:

**Madeira City School District**  
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	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$313,824,790
Public Utility Personal	<u>5,988,810</u>
Total	<u><u>\$319,813,600</u></u>

**Note 5 – Receivables**

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Receivables at June 30, 2015, consisted of taxes and intergovernmental grants. 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.

**Note 6 - Capital Assets**

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Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$963,381	\$270,000	\$0	\$1,233,381
Construction in Progress	<u>1,434,600</u>	<u>112,000</u>	<u>0</u>	<u>1,546,600</u>
Total Capital Assets, not being depreciated	2,397,981	382,000	0	2,779,981
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	36,053,809	327,965	0	36,381,774
Equipment	<u>1,640,854</u>	<u>36,946</u>	<u>303,894</u>	<u>1,373,906</u>
<b><i>Total Capital Assets, being depreciated:</i></b>	<u>37,694,663</u>	<u>364,911</u>	<u>303,894</u>	<u>37,755,680</u>
Totals at Historical Cost	<u><u>40,092,644</u></u>	<u><u>746,911</u></u>	<u><u>303,894</u></u>	<u><u>40,535,661</u></u>
Less Accumulated Depreciation:				
Buildings and Improvements	9,327,241	1,019,952	0	10,347,193
Equipment	<u>1,211,763</u>	<u>90,219</u>	<u>222,641</u>	<u>1,079,341</u>
Total Accumulated Depreciation	<u>10,539,004</u>	<u>1,110,171</u>	<u>222,641</u>	<u>11,426,534</u>
Governmental Activities Capital Assets, Net	<u><u>\$29,553,640</u></u>	<u><u>(\$363,260)</u></u>	<u><u>\$81,253</u></u>	<u><u>\$29,109,127</u></u>

Depreciation expense was charged to governmental functions as follows:

**Madeira City School District**  
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Instruction:	
Regular	\$889,952
Special	38,327
Other Instruction	47,146
Support Services:	
School Administration	1,068
Fiscal	1,350
Business	57,053
Operations and Maintenance	25,582
Central	23,710
Operation of Non-Instructional Services	12,004
Extracurricular Activities	<u>13,979</u>
Total Depreciation Expense	<u><u>\$1,110,171</u></u>

**Note 7 - Long-Term Liabilities**

The change in the District's long-term obligations during the year consists of the following:

	Rate	Maturity Dates	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>							
General Obligation Bonds:							
2003 School Improvement Refunding Bonds -							
Current Interest	5.75%	12/1/16	\$560,000	\$0	(\$560,000)	\$0	\$0
Capital Appreciation		12/1/16	19,994	0	0	19,994	12,671
Accretion of Interest		12/1/16	581,314	133,006	0	714,320	0
2005 School Improvement Bond -							
Current Interest Bonds	2.00%	12/1/16	990,000	0	0	990,000	420,000
Capital Appreciation	4.10%	12/1/14	110,000	0	(110,000)	0	0
Accretion of Interest	4.10%	12/1/14	258,398	46,602	(305,000)	0	0
2006 School Improvement Refunding Bonds -							
Current Interest		12/1/32	20,105,000	0	0	20,105,000	185,000
Capital Appreciation		12/1/20	2,060,000	0	0	2,060,000	0
Accretion of Interest		12/1/20	654,536	76,846	0	731,382	0
Premium		12/1/32	1,207,812	0	(67,101)	1,140,711	0
Total General Obligation Bonds			<u>26,547,054</u>	<u>256,454</u>	<u>(1,042,101)</u>	<u>25,761,407</u>	<u>617,671</u>
Capital Leases:							
2012 Computer Lease	4.27%	3/1/15	51,952	0	(51,952)	0	0
2012 Copier Lease	0.00%	1/1/17	80,240	0	(32,096)	48,144	32,096
2013 Computer Lease	0.00%	3/1/16	94,605	0	(46,921)	47,684	47,684
2014 Computer Lease	0.00%	3/1/17	178,726	0	(58,569)	120,157	59,578
2015 Computer Lease	1.95%	7/1/18	0	213,300	(54,890)	158,410	51,758
2015 Camargo Road Bus Lot	1.85%	7/15/18	0	420,000	(87,097)	332,903	80,990
Total Capital Leases			<u>405,523</u>	<u>633,300</u>	<u>(331,525)</u>	<u>707,298</u>	<u>272,106</u>
Net Pension Liabilities							
STRS			23,911,099	0	(3,775,698)	20,135,401	0
SERS			4,289,329	0	(634,822)	3,654,507	0
Total Net Pension Liability			<u>28,200,428</u>	<u>0</u>	<u>(4,410,520)</u>	<u>23,789,908</u>	<u>0</u>
Total Long-Term Liabilities			<u>55,153,005</u>	<u>889,754</u>	<u>(5,784,146)</u>	<u>50,258,613</u>	<u>889,777</u>
Compensated Absences			<u>666,675</u>	<u>105,778</u>	<u>(169,185)</u>	<u>603,268</u>	<u>169,128</u>
Total Governmental Activities			<u><u>\$55,819,680</u></u>	<u><u>\$995,532</u></u>	<u><u>(\$5,953,331)</u></u>	<u><u>\$50,861,881</u></u>	<u><u>\$1,058,905</u></u>

**Madeira City School District**  
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General obligation bonds will be paid from the debt service fund. Capital leases will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$605,000	\$939,350	\$1,544,350	\$12,671	\$62,675	\$75,346
2017	770,000	912,256	1,682,256	7,323	32,488	39,811
2018	0	893,000	893,000	575,000	660,000	1,235,000
2019	0	893,000	893,000	525,000	695,000	1,220,000
2020	0	893,000	893,000	495,000	730,000	1,225,000
2021-2025	5,390,000	4,130,314	9,520,314	465,000	775,000	1,240,000
2026-2030	8,245,000	2,766,838	11,011,838	0	0	0
2031-2033	6,085,000	651,000	6,736,000	0	0	0
Total	<u>\$21,095,000</u>	<u>\$12,078,758</u>	<u>\$33,173,758</u>	<u>\$2,079,994</u>	<u>\$2,955,163</u>	<u>\$5,035,157</u>

**Note 8 - Prior Year Defeasance of Debt**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2015, \$20,685,000 of bonds outstanding were considered defeased by the District.

**Note 9 - Capital Leases**

The District has capital leases for various technology equipment and computers.

The leases meet the criteria of capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the General Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year Ending June 30,	Long-Term Debt
2016	\$284,142
2017	219,632
2018	141,987
2019	87,097
2020	0
2021	0
Total Minimum Lease Payments	732,858
Less: Amount Representing Interest	(25,559)
Present Value of Minimum Lease Payments	<u>\$707,299</u>

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Capital assets acquired under capital leases in accordance with GASB Codification Section 1400 are as follows:

Equipment	\$1,429,378
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**Note 10 - Defined Benefit Pension Plans**

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**Net Pension Liability**

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

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

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

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

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

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supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District’s contractually required contribution to SERS was \$308,664 for fiscal year 2015. Of this amount \$57,193 is reported as accrued wages and benefits.

**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](http://www.strsoh.org).

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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.

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

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

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

**Madeira City School District**  
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required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,198,392 for fiscal year 2015. Of this amount \$215,132 is reported as accrued wages and benefits.

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

Proportionate Share of the Net Pension Liability	\$3,654,507	\$20,135,401	\$23,789,908
Proportion of the Net Pension Liability	0.07221000%	0.08278181%	
Pension Expense	214,915	930,237	1,145,152

At June 30, 2015, 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>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$31,104	\$193,847	\$224,951
District contributions subsequent to the measurement date	<u>308,664</u>	<u>1,198,392</u>	<u>1,507,056</u>
Total Deferred Outflows of Resources	<u>\$339,768</u>	<u>\$1,392,239</u>	<u>\$1,732,007</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$593,137</u>	<u>\$3,725,126</u>	<u>\$4,318,263</u>

\$1,507,056 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$140,508)	(\$882,819)	(\$1,023,327)
2017	(140,508)	(882,820)	(1,023,328)
2018	(140,508)	(882,820)	(1,023,328)
2019	<u>(140,509)</u>	<u>(882,820)</u>	<u>(1,023,329)</u>
Total	<u>(\$562,033)</u>	<u>(\$3,531,279)</u>	<u>(\$4,093,312)</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.

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

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

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

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

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

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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

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

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.

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$5,213,895	\$3,654,507	\$2,342,927

**Actuarial Assumptions - STRS**

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

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

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

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

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

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

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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

**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	\$28,826,022	\$20,135,401	\$12,786,060

**Note 11 - Post Employment Benefits**

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***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](http://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, the number of qualified years of service, Medicare eligibility and retirement status.

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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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 2015, 0.82 percent of covered payroll 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 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$31,471.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$49,550, \$3,288, and \$13,648, respectively. For fiscal year 2015, 81 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

***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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 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, 2015, 2014, and 2013 were \$0, \$83,904, and \$87,264 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Note 12 - Contingent Liabilities**

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**Foundation Funding**

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

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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**Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

**Litigation**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**Note 13 - Jointly Governed Organizations**

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*Unified Purchasing Cooperative of Ohio River Valley* - The Unified Purchasing Cooperative of Ohio River Valley is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office, and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments.

*Great Oaks Institute of Technology and Career Development* - The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative each of the participating school districts' elected board. The Institute possesses its own budgeting and taxing authority. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, Rob Giuffré, who serves as Treasurer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

*Hamilton/Clermont Cooperative Association* – The District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the H/CCA, Dave Distel, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

*Greater Cincinnati Insurance Consortium* – The District is a member of the Greater Cincinnati Insurance Consortium (GCIC) which is a group insurance consortium. The consortium has 14 member schools and provides a wide range of group insurance benefits to each member schools employees and dependents and designated beneficiaries. The purpose of the consortium is to establish and maintain a fund to provide and/or purchase health insurance, dental insurance, life insurance and other insurance benefits

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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to employees, their dependents and designated beneficiaries. The consortium is governed by a Board of Directors made up from one representative of each school district/service center.

**Note 14 - Risk Management**

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The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2015, the District contracted with the Catlin Indemnity Company for property and general liability insurance and boiler machinery insurance.

Boiler and machinery coverage has a \$5,000 deductible. General liability is provided by Catlin Indemnity Company with \$1,000,000 each occurrence \$2,000,000 aggregate limit. Commercial Umbrella Liability Insurance is provided by Catlin Indemnity Company with \$5,000,000 each occurrence and \$5,000,000 aggregate limit. Vehicles are covered by Catlin Indemnity Company with a \$1,000,000 liability limit and physical damages and a \$1,000 deductible. Public official bond insurance is provided by Ohio Casualty Insurance Company. The Treasurer is covered by a bond in the amount of \$50,000. The Superintendent and Board President are covered by bonds in the amount of \$20,000 each. The District has elected to provide employee medical, dental and life insurance through Greater Cincinnati Insurance Consortium. The employees share the cost of the monthly premium for the coverage with the Board.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

**Note 15 - Insurance Purchasing Pool**

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*Southwestern Ohio Educational Purchases Council* - The District participates in the Southwestern Ohio Educational Purchases Council Workers' Compensation Group Rating Program (GRP), represented by Hunter Consulting Company, an insurance purchasing pool. The EPC is a council of governments governed by a constitution and an Executive Board elected by the membership. Each member district has an EPC representative. The paid staff of the EPC is limited to a Director, Financial Officer, and Administrative Assistant, in addition to a 3 member benefits team. Each year, the participating school districts pay an enrollment fee for the GRP to cover the costs of administering the program.

**Note 16 – Accountability**

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The following individual fund had a deficit in fund balance at year end:

Fund	Deficit
Special Revenue:	
Career Development	\$22,936
Title II Eisenhower	53,437
Title VIB	14,449

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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**Note 17 - Fund Balance Reserves For Set-Asides**

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

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

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2014	\$0
Current Year Set Aside Requirements	232,722
Qualified Disbursements	<u>(338,414)</u>
Set Aside Reserve Balance as of June 30, 2015	<u>(\$105,692)</u>
Restricted Cash as of June 30, 2015	<u>\$0</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements for capital maintenance reserve during the year were \$338,414, which exceeded the required set-aside and reserve balance.

**Note 18 - Interfund Transactions**

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Interfund transactions at June 30, 2015, consisted of the following funds for transfers in and out:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$0	\$434,606
Other Governmental Funds	<u>434,606</u>	<u>0</u>
Total All Funds	<u>\$434,606</u>	<u>\$434,606</u>

Interfund balance/transfers are used to 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 unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**Note 19 – Fund Balances**

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

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
<b>Restricted for:</b>				
Athletics	\$0	\$0	\$11,086	\$11,086
Title III	0	0	0	0
Consumer Economics	0	0	64,483	64,483
Career Development	0	0	0	0
Career Education	0	0	0	0
Race to the Top	0	0	0	0
Food Service	0	0	0	0
Classroom Facilities Maintenananc	0	0	0	0
Debt Service Building	0	2,262,199	0	2,262,199
Permanent Improvement	0	0	0	0
<b>Total Restricted</b>	<b>0</b>	<b>2,262,199</b>	<b>75,569</b>	<b>2,337,768</b>
<b>Assigned to:</b>				
Public School Support	33,293	0	0	33,293
Budgetary Resource	332,092	0	0	332,092
Permanent Improvement	0	0	167,803	167,803
<b>Total Assigned</b>	<b>365,385</b>	<b>0</b>	<b>167,803</b>	<b>533,188</b>
<b>Unassigned (Deficit)</b>	<b>10,860,622</b>	<b>0</b>	<b>(90,822)</b>	<b>10,769,800</b>
<b>Total Fund Balance</b>	<b>\$11,226,007</b>	<b>\$2,262,199</b>	<b>\$152,550</b>	<b>\$13,640,756</b>

**Note 20 – Change in Accounting Principles**

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The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of

**Madeira City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

**Note 21 – Change in Accounting Principle and Restatement of Net Position**

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For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$16,145,763
Adjustments:	
Net Pension Liability	(28,200,428)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>1,462,360</u>
Restated Net Position June 30, 2014	<u><u>(\$10,592,305)</u></u>

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

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# **REQUIRED SUPPLEMENTARY INFORMATION**



Madeira City School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.08278181%	0.08278181%
District's Proportionate Share of the Net Pension Liability	\$20,135,401	\$23,911,099
District's Covered-Employee Payroll	\$9,035,815	\$9,397,662
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	222.84%	254.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

Madeira City School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.072210%	0.072210%
District's Proportionate Share of the Net Pension Liability	\$3,654,507	\$4,289,329
District's Covered-Employee Payroll	\$2,075,786	\$2,510,116
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	176.05%	170.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

Madeira City School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$1,198,392	\$1,174,656	\$1,221,696	\$1,170,024	\$1,172,880	\$1,169,376	\$1,163,820	\$1,064,724	\$1,031,688	\$1,088,100
Contributions in Relation to the Contractually Required Contribution	(1,198,392)	(1,174,656)	(1,221,696)	(1,170,024)	(1,172,880)	(1,169,376)	(1,163,820)	(1,064,724)	(1,031,688)	(1,088,100)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$8,559,943	\$9,035,815	\$9,397,662	\$9,000,185	\$9,022,154	\$8,995,200	\$8,952,462	\$8,190,185	\$7,936,062	\$8,370,000
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Madeira City School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$308,664	\$287,704	\$347,400	\$332,136	\$318,960	\$281,112	\$250,476	\$260,928	\$275,196	\$285,264
Contributions in Relation to the Contractually Required Contribution	(308,664)	(287,704)	(347,400)	(332,136)	(318,960)	(281,112)	(250,476)	(260,928)	(275,196)	(285,264)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$2,341,912	\$2,075,786	\$2,510,116	\$2,469,413	\$2,537,470	\$2,076,160	\$2,545,488	\$2,657,108	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	N/A	N/A
N/A - Information not available										

Madeira City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$12,428,966	\$12,792,633	\$12,794,674	\$2,041
Revenue in lieu of taxes	205,804	211,826	211,860	34
Tuition and Fees	54,969	56,577	56,586	9
Investment Earnings	6,941	7,144	7,145	1
Intergovernmental	4,635,677	4,771,315	4,772,076	761
Extracurricular Activities	72,789	74,919	74,931	12
Charges for Services	9,602	9,883	9,885	2
Other Revenues	64,717	66,610	66,621	11
<b>Total Revenues</b>	<b>17,479,465</b>	<b>17,990,907</b>	<b>17,993,778</b>	<b>2,871</b>
Expenditures:				
Current:				
Instruction:				
Regular	7,922,606	7,937,762	7,915,552	22,210
Special	2,172,830	2,176,986	2,170,895	6,091
Other	431,333	432,158	430,949	1,209
Support Services:				
Pupil	1,271,341	1,273,773	1,270,209	3,564
Instructional Staff	433,508	434,337	433,122	1,215
General Administration	51,907	52,007	51,861	146
School Administration	1,230,199	1,232,553	1,229,104	3,449
Fiscal	561,432	562,506	560,932	1,574
Business	58,242	58,353	58,190	163
Operations and Maintenance	1,549,744	1,552,709	1,548,364	4,345
Pupil Transportation	869,981	871,645	869,206	2,439
Central	13,757	13,784	13,745	39
Extracurricular Activities	323,295	323,913	323,007	906
Capital Outlay	110,098	110,309	110,000	309
Debt Service:				
Principal Retirement	331,820	332,455	331,525	930
Interest and Fiscal Charges	5,463	5,473	5,458	15
<b>Total Expenditures</b>	<b>17,337,556</b>	<b>17,370,723</b>	<b>17,322,119</b>	<b>48,604</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>141,909</b>	<b>620,184</b>	<b>671,659</b>	<b>51,475</b>
Other Financing Sources (Uses):				
Transfers In	140,473	144,583	144,606	23
Transfers (Out)	(434,993)	(435,825)	(434,606)	1,219
<b>Total Other Financing Sources (Uses)</b>	<b>(294,520)</b>	<b>(291,242)</b>	<b>(290,000)</b>	<b>1,242</b>
<b>Net Change in Fund Balance</b>	<b>(152,611)</b>	<b>328,942</b>	<b>381,659</b>	<b>52,717</b>
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	7,169,978	7,169,978	7,169,978	0
<b>Fund Balance - End of Year</b>	<b>\$7,017,367</b>	<b>\$7,498,920</b>	<b>\$7,551,637</b>	<b>\$52,717</b>

See accompanying notes to the required supplementary information.

**Madeira City School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2015**

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**Note 1 – Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2015.

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

While the District is 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, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

**Madeira City School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2015**

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4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$878,688
Revenue Accruals	(765,411)
Expenditure Accruals	990,952
Issuance of Debt	(633,300)
Transfer In	144,606
Encumbrances	(230,530)
Funds Budgeted Elsewhere	<u>(3,346)</u>
Budget Basis	<u><u>\$381,659</u></u>



# Dave Yost • Auditor of State

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

Madeira City School District  
Hamilton County  
7465 Loannes Drive  
Cincinnati, Ohio 45243

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 Madeira City School District, Hamilton County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 5, 2016, wherein we noted the District implemented Governmental Accounting Standard No. 68 and 71.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 5, 2016



# Dave Yost • Auditor of State

**MADEIRA CITY SCHOOL DISTRICT**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 19, 2016**