

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2015



Dave Yost • Auditor of State

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

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UNION COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Marysville Exempted Village School District
Union County
1000 Edgewood Drive
Marysville, Ohio 43040

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marysville Exempted Village School District, Union 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, the business-type activities, each major fund, and the aggregate remaining fund information of Marysville Exempted Village School District, Union County, Ohio, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Additionally, as discussed in Note 3 to the financial statements, the fiscal year 2014 financial statements have been restated due to a re-appraisal of assets.

We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 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.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016

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**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position increased \$6,172,690. Net position of governmental activities increased \$5,991,295, which represents a 10.04 percent increase from 2014. Net position of business-type activities increased \$181,395 or 36.28 percent from 2014.
- General revenues accounted for \$56,411,383 in revenue or 85.29 percent of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$9,725,927 or 14.71 percent of total governmental activities revenues of \$66,137,310.
- The District had \$60,146,015 in expenses related to governmental activities; only \$9,725,927 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of \$56,411,383 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund, permanent improvement fund and the Straight-A fund. The general fund had \$49,172,976 in revenues and other financing sources and \$45,134,168 in expenditures and other financing uses. The fund balance of the general fund increased from a deficit of \$132,465 to \$3,906,343.
- The bond retirement fund had \$7,310,907 in revenues and \$7,717,161 in expenditures.
- The permanent improvement fund had \$4,453,180 in revenues and \$4,321,372 in expenditures. The fund balance of the permanent improvement fund increased from \$6,354,807 to \$6,486,615.
- As a recipient of Ohio's Straight-A Fund Innovation Grant, the District established a Science, Technology, Engineering and Mathematics (STEM) Early College High School (Marysville ECHS). The Straight-A fund was established in fiscal year 2014 to account for this \$12.4 million grant, which includes costs to construct and renovate the building that will be used for the Marysville ECHS. Columbus State College, Honda, Union County Chamber of Commerce, EdWorks, and Ohio Hi Point partnered with the District to establish Ohio's first manufacturing related STEM Early College High School. The construction and renovations of the Marysville ECHS was completed during fiscal year 2015, and the school opened in August of 2014.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

Using this Financial Report

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 District has four major governmental funds: the general fund, bond retirement fund, permanent improvement fund and the Straight-A fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities and food service operations.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's special enterprise-day care programs are reported as business-type activities.

The District's statement of net position and statement of activities can be found on pages 19 – 20 of this report.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14. 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. The basic governmental fund financial statements can be found on pages 21 - 27 of this report.

Proprietary Fund

The proprietary fund uses the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The proprietary fund financial statements can be found on pages 28 - 30 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 31 and 32. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33 - 72 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 73-79 of this report.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.C.

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<u>Assets</u>						
Current and other assets	\$ 48,521,120	\$ 51,917,512	\$ 248,882	\$ 151,116	\$ 48,770,002	\$ 52,068,628
Capital assets, net	93,252,128	87,683,808	-	-	93,252,128	87,683,808
Total assets	<u>141,773,248</u>	<u>139,601,320</u>	<u>248,882</u>	<u>151,116</u>	<u>142,022,130</u>	<u>139,752,436</u>
<u>Deferred outflows</u>						
Unamortized deferred charges	3,331,902	3,574,581	-	-	3,331,902	3,574,581
Pension	4,671,154	3,781,370	43,682	44,029	4,714,836	3,825,399
Total deferred outflows	<u>8,003,056</u>	<u>7,355,951</u>	<u>43,682</u>	<u>44,029</u>	<u>8,046,738</u>	<u>7,399,980</u>
<u>Liabilities</u>						
Current liabilities	6,311,142	7,480,235	25,701	31,457	6,336,843	7,511,692
Long-term liabilities						
Due within one year	3,280,539	3,675,146	8,320	8,144	3,288,859	3,683,290
Due in more than one year						
Net pension liability	63,915,142	75,870,782	491,406	650,106	64,406,548	76,520,888
Other amounts	89,056,469	92,996,486	5,943	5,396	89,062,412	93,001,882
Total liabilities	<u>162,563,292</u>	<u>180,022,649</u>	<u>531,370</u>	<u>695,103</u>	<u>163,094,662</u>	<u>180,717,752</u>
<u>Deferred inflows</u>						
Property taxes and PILOT	29,354,756	26,623,067	-	-	29,354,756	26,623,067
Pension	11,555,406	-	79,757	-	11,635,163	-
Total deferred inflows	<u>40,910,162</u>	<u>26,623,067</u>	<u>79,757</u>	<u>-</u>	<u>40,989,919</u>	<u>26,623,067</u>
<u>Net position</u>						
Net investment in capital assets	14,115,626	5,350,987	-	-	14,115,626	5,350,987
Restricted	7,296,744	15,796,906	-	-	7,296,744	15,796,906
Unrestricted (deficit)	<u>(75,109,520)</u>	<u>(80,836,338)</u>	<u>(318,563)</u>	<u>(499,958)</u>	<u>(75,428,083)</u>	<u>(81,336,296)</u>
Total net position (deficit)	<u>\$ (53,697,150)</u>	<u>\$ (59,688,445)</u>	<u>\$ (318,563)</u>	<u>\$ (499,958)</u>	<u>\$ (54,015,713)</u>	<u>\$ (60,188,403)</u>

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.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the 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 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. In addition, net position was restated for prior period adjustments related to the capital assets (see Note 3.C for detail). The effect of restating net position at June 30, 2014, for governmental activities from \$25,496,300 to (\$59,688,445) and business type activities from \$109,359 to (\$499,958).

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

The table below shows the change in net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.C.

Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>Restated 2014</u>	<u>2015</u>	<u>Restated 2014</u>	<u>2015</u>	<u>Restated 2014</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 2,566,739	\$ 2,439,519	\$ 530,875	\$ 507,056	\$ 3,097,614	\$ 2,946,575
Operating grants and contributions	6,018,680	6,266,318	-	-	6,018,680	6,266,318
Capital grants and contributions	1,140,508	12,497,282	-	-	1,140,508	12,497,282
General revenues:						
Property taxes	29,318,664	24,505,782	-	-	29,318,664	24,505,782
Payments in lieu of taxes	1,346,244	1,077,141	-	-	1,346,244	1,077,141
Grants and entitlements	25,586,793	24,148,217	-	-	25,586,793	24,148,217
Investment earnings	19,740	10,472	-	-	19,740	10,472
Other	<u>139,942</u>	<u>107,951</u>	<u>-</u>	<u>-</u>	<u>139,942</u>	<u>107,951</u>
Total revenues	<u>66,137,310</u>	<u>71,052,682</u>	<u>530,875</u>	<u>507,056</u>	<u>66,668,185</u>	<u>71,559,738</u>

The biggest increase in revenues was for property taxes. Property taxes increased \$4,812,882 due to an increase in the bond retirement property tax rate and the amount of taxes available as an advance and reported as revenue. The tax advance available is reported as revenue in the basic financial statements (see Note 6 to the basic financial statements for detail). The amount of taxes available as an advance can vary depending on when tax bills are sent to the taxpayer.

The largest decrease in revenues was for capital grants and contributions, which is a result of the District receiving funds for the Straight-A grant for the Marysville ECHS during fiscal year 2014.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 83.02 percent of total governmental revenue.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

Change in Net Position (Continued)

	Governmental Activities		Business-type Activities		Total	
		Restated		Restated		Restated
	2015	2014	2015	2014	2015	2014
Expenses						
Program expenses:						
Instruction:						
Regular	\$ 24,822,518	\$ 24,147,377	\$ -	\$ -	\$ 24,822,518	\$ 24,147,377
Special	7,742,690	7,469,642	-	-	7,742,690	7,469,642
Vocational	480,185	460,921	-	-	480,185	460,921
Other	245,210	422,625	-	-	245,210	422,625
Support services:						
Pupil	3,155,978	3,129,512	-	-	3,155,978	3,129,512
Instructional staff	2,541,020	3,474,015	-	-	2,541,020	3,474,015
Board of education	171,809	197,847	-	-	171,809	197,847
Administration	3,592,794	3,473,677	-	-	3,592,794	3,473,677
Fiscal	1,249,564	1,346,824	-	-	1,249,564	1,346,824
Business	1,028,209	396,368	-	-	1,028,209	396,368
Operations and maintenance	4,689,808	4,694,653	-	-	4,689,808	4,694,653
Pupil transportation	2,160,404	2,321,563	-	-	2,160,404	2,321,563
Central	776,413	438,324	-	-	776,413	438,324
Operation of non-instructional services:						
Other non-instructional services	230,265	171,096	-	-	230,265	171,096
Food services	1,852,988	1,900,230	-	-	1,852,988	1,900,230
Extracurricular activities	996,883	1,008,915	-	-	996,883	1,008,915
Interest and fiscal charges	4,409,277	4,369,617	-	-	4,409,277	4,369,617
Bond issuance costs	-	257,980	-	-	-	257,980
Special enterprise - day care	-	-	349,480	433,148	349,480	433,148
Total expenses	<u>60,146,015</u>	<u>59,681,186</u>	<u>349,480</u>	<u>433,148</u>	<u>60,495,495</u>	<u>60,114,334</u>
Changes in net position	5,991,295	11,371,496	181,395	73,908	6,172,690	11,445,404
Net position (deficit)						
at beginning of year (restated)	<u>(59,688,445)</u>	N/A	<u>(499,958)</u>	N/A	<u>(60,188,403)</u>	N/A
Net position (deficit) at end of year	<u>\$ (53,697,150)</u>	<u>\$ (59,688,445)</u>	<u>\$ (318,563)</u>	<u>\$ (499,958)</u>	<u>\$ (54,015,713)</u>	<u>\$ (60,188,403)</u>

Governmental Activities

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 functional expenses still include pension expense of \$3,781,370 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 expense of \$2,775,907.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

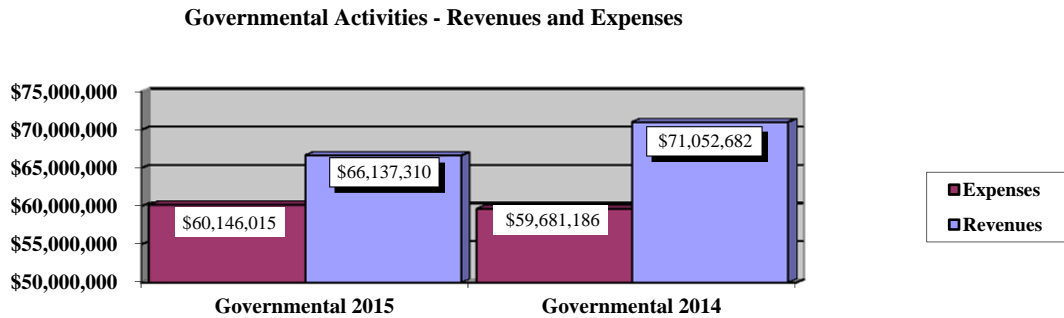
Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 60,146,015
Pension expense under GASB 68	(2,775,907)
2015 contractually required contributions	<u>4,065,925</u>
Adjusted 2015 program expenses	61,436,033
Total 2014 program expenses under GASB 27	<u>59,681,186</u>
Increase in program expenses not related to pension	<u>\$ 1,754,847</u>

Net position of the District's governmental activities increased \$5,991,295. Total governmental expenses of \$60,146,015 were offset by program revenues of \$9,725,927, and general revenues of \$56,411,383. Program revenues supported 16.17 percent of the total governmental expenses. The District being a recipient of the \$12.4 million Straight-A grant to establish and construct the Marysville ECHS contributed to the increase in the net position of the governmental activities.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$33,290,603 or 55.35 percent of total governmental expenses for fiscal year 2015. Instruction expenses increased by 2.43 percent during fiscal year 2015.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2015 and 2014.



The statement of activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2015 and 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

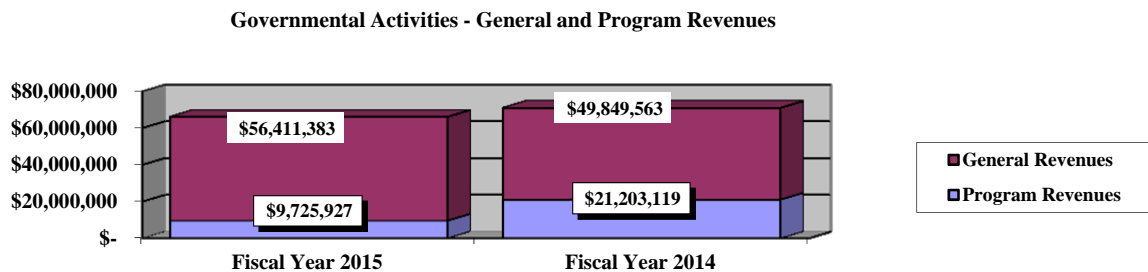
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

Governmental Activities

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Instruction:	\$ 33,290,603	\$ 27,031,108	\$ 32,500,565	\$ 16,984,728
Support services:				
Pupil	3,155,978	2,973,131	3,129,512	2,960,885
Instructional staff	2,541,020	2,415,956	3,474,015	1,562,070
Board of education	171,809	171,809	197,847	187,540
Administration	3,592,794	3,350,460	3,473,677	2,785,034
Fiscal	1,249,564	1,249,564	1,346,824	1,346,824
Business	1,028,209	1,028,209	396,368	396,368
Operations and maintenance	4,689,808	4,591,570	4,694,653	4,588,679
Pupil transportation	2,160,404	2,019,835	2,321,563	2,167,348
Central	776,413	776,173	438,324	438,223
Operation of non-instructional services:				
Other non-instructional services	230,265	25,749	171,096	(1,646)
Food service operations	1,852,988	(51,551)	1,900,230	(544)
Extracurricular activities	996,883	428,798	1,008,915	434,961
Interest and fiscal charges	4,409,277	4,409,277	4,369,617	4,369,617
Bond issue costs	-	-	257,980	257,980
Total expenses	<u>\$ 60,146,015</u>	<u>\$ 50,420,088</u>	<u>\$ 59,681,186</u>	<u>\$ 38,478,067</u>

The dependence upon tax revenues during fiscal year 2015 for governmental activities is apparent, as 83.83 percent of 2015 expenses are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2015 and 2014.



Business-Type Activities

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 \$44,029 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 expense of (\$35,957).

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 349,480
Pension expense under GASB 68	35,957
2015 contractually required contributions	<u>42,639</u>
Adjusted 2015 program expenses	428,076
Total 2014 program expenses under GASB 27	<u>433,148</u>
Decrease in program expenses not related to pension	<u><u>\$ (5,072)</u></u>

Business-type activities include the special enterprise-day care operations. This program had revenues of \$530,875 and expenses of \$349,480 for fiscal year 2015. Tuition and fees from the day care operations outpaced expenses by \$181,395 during fiscal year 2015. The District's business-type activities do not receive support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on pages 21 - 22) reported a combined fund balance of \$11,773,592, which is \$196,103 lower than last year's total of \$11,969,695. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance <u>June 30, 2015</u>	Fund Balance (Deficit) <u>June 30, 2014</u>	Increase (Decrease)
General	\$ 3,906,343	\$ (132,465)	\$ 4,038,808
Bond retirement	545,470	951,724	(406,254)
Permanent improvement	6,486,615	6,354,807	131,808
Straight-A fund	-	4,574,075	(4,574,075)
Other governmental	<u>835,164</u>	<u>221,554</u>	<u>613,610</u>
Total	<u><u>\$ 11,773,592</u></u>	<u><u>\$ 11,969,695</u></u>	<u><u>\$ (196,103)</u></u>

General Fund

The District's general fund balance increased \$4,038,808 during fiscal year 2015. The table that follows assists in illustrating the revenues of the general fund.

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 21,682,889	\$ 19,398,595	11.78 %
Intergovernmental	26,140,162	24,661,517	6.00 %
Other revenues	<u>1,342,569</u>	<u>1,206,117</u>	11.31 %
Total	<u><u>\$ 49,165,620</u></u>	<u><u>\$ 45,266,229</u></u>	8.61 %

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

Tax revenue increased 11.78 percent. This increase is primarily due to the fluctuation in the amount of taxes available as an advance, and reported as revenue, at the end of the fiscal years 2015 and 2014. The amount of taxes available for advance is determined by timing of the tax bills sent by the County auditor. Intergovernmental revenue increased 6.0 percent. The District received federal monies from the Medicaid School Program during fiscal year 2015, related to settlements from prior fiscal years, which contributed to the increase. Other revenues increased 11.31 percent which is primarily due to an increase in tuition, classroom materials and fees, and other local revenues during fiscal year 2015.

The table that follows assists in illustrating the expenditures of the general fund.

	2015 <u>Amount</u>	2014 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 27,496,943	\$ 28,018,508	(1.86) %
Support services	16,388,583	16,063,012	2.03 %
Operation of non-instructional services	7,720	1,554	396.78 %
Extracurricular activities	673,220	672,698	0.08 %
Facilities acquisition and construction	22,400	-	100.00 %
Debt service	<u>91,402</u>	<u>95,549</u>	(4.34) %
Total	<u>\$ 44,680,268</u>	<u>\$ 44,851,321</u>	(0.38) %

Instruction expenditures remained relatively consistent with 2015 experiencing decreases primarily attributable to anticipated salary/wage increases offset by the attrition of staff. The slight increase in support services and extracurricular activities is due to the District trying to tightly control costs. Overall the expenditures of the District decreased 0.38 percent during fiscal year 2015.

Bond Retirement Fund

Another major governmental fund is the bond retirement fund. The bond retirement fund had \$7,310,907 in revenues and \$7,717,161 in expenditures. The fund balance of the bond retirement fund decreased from \$951,724 to \$545,470.

Permanent Improvement Fund

The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$4,453,180 in revenues and \$4,321,372 in expenditures. The District was able to continue the trend of adding to the fund balance of the permanent improvement fund by 2.07 percent at June 30, 2015, compared to a 20.31 percent increase at June 30, 2014, as a result of tight control of the District's capital and maintenance expenditures.

Straight-A Fund

The District established the Straight-A fund during fiscal year 2014 to account for the \$12.4 million grant the District was awarded to construct and establish the Marysville ECHS. Columbus State College, Honda, Union County Chamber of Commerce, EdWorks, and Ohio Hi Point partnered with the District to establish Ohio's first manufacturing related STEM Early College High School. The project was completed during fiscal year 2015 and the Marysville ECHS opened in August of 2014.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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. For the general fund, final budgeted revenues of \$49,694,044 remained the same as the original budgeted revenues. Actual revenues and other financing sources of \$49,425,585 were \$268,459 lower than the final budget.

General fund final appropriations were \$47,869,660 which was higher than original appropriations by \$2,705. The actual budget basis expenditures for fiscal year 2015 totaled \$46,084,878, which was \$1,784,782 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$93,252,128 invested in land, construction in progress, buildings and improvements, furniture, fixtures and equipment and vehicles. Capital assets were restated at June 30, 2014, as described in Notes 3.C and 9 of the notes to the basic financial statements.

The following table shows fiscal year 2015 balances compared to 2014:

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

	Governmental Activities	
	2015	(Restated) 2014
Land	\$ 6,355,496	\$ 6,355,496
Construction in progress	-	2,279,203
Buildings and improvements	78,888,738	73,366,154
Furniture, fixtures and equipment	4,812,793	3,105,963
Vehicles	3,195,101	2,576,992
Total	\$ 93,252,128	\$ 87,683,808

The construction in progress reported in governmental activities at June 30, 2014, and building and furniture, fixtures and equipment additions in fiscal year 2015 are attributable to the costs to construct, renovate and equip the building that is used for the Marysville ECHS. See Note 9 to the basic financial statements for detail on the District's capital assets.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

Debt Administration

At June 30, 2015 the District had \$83,961,799 in general obligation bonds, capital leases, energy conservation project notes and loans payable outstanding. The general obligation bond issues are comprised of current issue bonds and capital appreciation bonds. Of this total debt outstanding, \$2,516,647 is due within one year and \$81,445,152 is due in more than one year. The table that follows summarizes the bonds, leases, notes and loans outstanding:

Outstanding Debt, at June 30

	<u>Governmental Activities</u>	
	2015	2014
General obligation bonds	\$ 76,069,572	\$ 78,176,428
Capital appreciation bonds - accreted interest	6,472,495	7,531,260
Capital lease	1,287,172	1,726,245
Energy conservation notes - long term	90,000	175,000
Energy conservation notes - short term	-	445,000
Loan payable	42,560	35,204
Total	\$ 83,961,799	\$ 88,089,137

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

Current Financial Related Activities

The District relies on its property taxes and state foundation funds to provide the funds necessary to maintain its educational programs. The District continues to grow with an average 2 percent growth rate per year. This year's growth brought the total school population to over 5,300 students. Our graduating class in 2002 was the last class under 300.

Union County is one of the fastest growing counties in Ohio and Marysville is one of the fastest growing cities in Ohio. We have had eight new housing developments in the past six years. Marysville industrial and commercial tax base is increasing with an addition to the Scotts facility and new restaurants and stores being built in the Coleman's Crossing area.

House Bill 66, passed in 2005, phases out the tax on tangible personal property of general business, telephone, and railroads. The tax on general business and railroad property was eliminated in 2009 and the tax on telephone in 2011. The tax is phased out by reducing the assessment rate on the property each year. The loss and replacement of the tangible personal property tax revenues has been calculated by the Ohio Department of Taxation using 2004 as the base year. The base year amount is the amount of property tax revenue lost when the tax has been fully phased out. School districts are being "held harmless" and reimbursed for lost revenue in the first five years; in the following seven years, the reimbursements are phased out. Even with the direct reimbursement, the District will see no growth from tangible personal property revenues since the payment is calculated on a 2004 base year.

In November 2009, District residents passed a renewal of an existing 6.56 mill levy. This levy does not generate any additional tax dollars. In November 2012, District residents voted down a five-year 4 mill levy to provide for current expenses of the District.

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Todd Johnson, Treasurer/CFO, Marysville Exempted Village School District, 1000 Edgewood Drive, Marysville, Ohio 43040.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 15,265,426	\$ 248,882	\$ 15,514,308
Cash and investments in segregated account . . .	29,620	-	29,620
Receivables:			
Property taxes	31,115,327	-	31,115,327
Payment in lieu of taxes	1,293,332	-	1,293,332
Accrued interest	5,621	-	5,621
Intergovernmental	810,265	-	810,265
Inventory held for resale	1,529	-	1,529
Capital assets:			
Nondepreciable capital assets	6,355,496	-	6,355,496
Depreciable capital assets, net	86,896,632	-	86,896,632
Capital assets, net	93,252,128	-	93,252,128
Total assets	141,773,248	248,882	142,022,130
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	3,331,902	-	3,331,902
Pension - STRS	3,617,280	-	3,617,280
Pension - SERS	1,053,874	43,682	1,097,556
Total deferred outflows of resources	8,003,056	43,682	8,046,738
Liabilities:			
Accounts payable	709,240	3,206	712,446
Accrued wages and benefits payable	4,244,956	13,212	4,258,168
Intergovernmental payable	284,369	1,588	285,957
Pension and postemployment benefits	853,813	7,695	861,508
Accrued interest payable	218,764	-	218,764
Long-term liabilities:			
Due within one year	3,280,539	8,320	3,288,859
Due in more than one year:			
Net pension liability (See Note 14)	63,915,142	491,406	64,406,548
Other amounts due in more than one year	89,056,469	5,943	89,062,412
Total liabilities	162,563,292	531,370	163,094,662
Deferred inflows of resources:			
Property taxes levied for the next fiscal year . . .	28,061,424	-	28,061,424
Payment in lieu of taxes levied for the next fiscal year	1,293,332	-	1,293,332
Pension - STRS	9,631,189	-	9,631,189
Pension - SERS	1,924,217	79,757	2,003,974
Total deferred inflows of resources	40,910,162	79,757	40,989,919
Net position:			
Net investment in capital assets	14,115,626	-	14,115,626
Restricted for:			
Capital projects	6,803,476	-	6,803,476
Food service operations	297,049	-	297,049
Student activities	171,677	-	171,677
Locally funded programs	16,506	-	16,506
State funded programs	8,036	-	8,036
Unrestricted (deficit)	(75,109,520)	(318,563)	(75,428,083)
Total net position (deficit)	\$ (53,697,150)	\$ (318,563)	\$ (54,015,713)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 24,822,518	\$ 560,562	\$ 252,238	\$ 1,109,292	\$ (22,900,426)	\$ -	\$ (22,900,426)
Special	7,742,690	73,288	4,162,570	-	(3,506,832)	-	(3,506,832)
Vocational	480,185	-	101,545	-	(378,640)	-	(378,640)
Other	245,210	-	-	-	(245,210)	-	(245,210)
Support services:							
Pupil	3,155,978	133,292	49,555	-	(2,973,131)	-	(2,973,131)
Instructional staff	2,541,020	6,838	91,060	27,166	(2,415,956)	-	(2,415,956)
Board of education	171,809	-	-	-	(171,809)	-	(171,809)
Administration	3,592,794	-	242,334	-	(3,350,460)	-	(3,350,460)
Fiscal	1,249,564	-	-	-	(1,249,564)	-	(1,249,564)
Business	1,028,209	-	-	-	(1,028,209)	-	(1,028,209)
Operations and maintenance	4,689,808	94,036	152	4,050	(4,591,570)	-	(4,591,570)
Pupil transportation	2,160,404	9,663	130,906	-	(2,019,835)	-	(2,019,835)
Central	776,413	240	-	-	(776,173)	-	(776,173)
Operation of non-instructional services:							
Other non-instructional services	230,265	7,928	196,588	-	(25,749)	-	(25,749)
Food service operations	1,852,988	1,112,807	791,732	-	51,551	-	51,551
Extracurricular activities	996,883	568,085	-	-	(428,798)	-	(428,798)
Interest and fiscal charges	4,409,277	-	-	-	(4,409,277)	-	(4,409,277)
Total governmental activities	<u>60,146,015</u>	<u>2,566,739</u>	<u>6,018,680</u>	<u>1,140,508</u>	<u>(50,420,088)</u>	<u>-</u>	<u>(50,420,088)</u>
Business-type activities:							
Special enterprise - day care	<u>349,480</u>	<u>530,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,395</u>	<u>181,395</u>
Totals	<u>\$ 60,495,495</u>	<u>\$ 3,097,614</u>	<u>\$ 6,018,680</u>	<u>\$ 1,140,508</u>	<u>(50,420,088)</u>	<u>181,395</u>	<u>(50,238,693)</u>
General revenues:							
Property taxes levied for:							
General purposes					21,673,622	-	21,673,622
Debt service					5,264,749	-	5,264,749
Capital outlay					2,380,293	-	2,380,293
Payments in lieu of taxes					1,346,244	-	1,346,244
Grants and entitlements not restricted to specific programs					25,586,793	-	25,586,793
Investment earnings					19,740	-	19,740
Miscellaneous					139,942	-	139,942
Total general revenues					<u>56,411,383</u>	<u>-</u>	<u>56,411,383</u>
Change in net position					5,991,295	181,395	6,172,690
Net position (deficit) at beginning of year (restated)					<u>(59,688,445)</u>	<u>(499,958)</u>	<u>(60,188,403)</u>
Net position (deficit) at end of year					<u>\$ (53,697,150)</u>	<u>\$ (318,563)</u>	<u>\$ (54,015,713)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Straight-A Fund</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 7,475,739	\$ 60,177	\$ 6,747,452	\$ -
Cash and investments in segregated account	-	-	29,620	-
Receivables:				
Property taxes	22,615,875	6,030,254	2,469,198	-
Payment in lieu of taxes	-	-	1,293,332	-
Accrued interest	5,621	-	-	-
Intergovernmental	330,350	-	-	32,536
Inventory held for resale	-	-	-	-
Due from other funds	225,293	-	-	-
Total assets	<u>\$ 30,652,878</u>	<u>\$ 6,090,431</u>	<u>\$ 10,539,602</u>	<u>\$ 32,536</u>
Liabilities:				
Accounts payable	158,876	-	483,034	32,536
Accrued wages and benefits payable	3,994,182	-	-	-
Intergovernmental payable	270,076	-	-	-
Compensated absences payable	299,711	-	-	-
Pension and postemployment benefits	804,180	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>5,527,025</u>	<u>-</u>	<u>483,034</u>	<u>32,536</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	20,421,556	5,414,707	2,225,161	-
Payment in lieu of taxes levied for the next fiscal year	-	-	1,293,332	-
Delinquent property tax revenue not available	462,567	130,254	51,460	-
Intergovernmental revenue not available	330,350	-	-	-
Accrued interest not available	5,037	-	-	-
Total deferred inflows of resources	<u>21,219,510</u>	<u>5,544,961</u>	<u>3,569,953</u>	<u>-</u>
Fund balances:				
Restricted:				
Debt service	-	545,470	-	-
Capital improvements	-	-	6,486,615	-
Food service operations	-	-	-	-
Student activities	-	-	-	-
Locally funded programs	-	-	-	-
Non-public schools	-	-	-	-
Special education	-	-	-	-
Assigned:				
Student and staff support	329,862	-	-	-
Unassigned (deficit)	3,576,481	-	-	-
Total fund balances	<u>3,906,343</u>	<u>545,470</u>	<u>6,486,615</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,652,878</u>	<u>\$ 6,090,431</u>	<u>\$ 10,539,602</u>	<u>\$ 32,536</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 982,058	\$ 15,265,426
-	29,620
-	31,115,327
-	1,293,332
-	5,621
447,379	810,265
1,529	1,529
-	225,293
<u>\$ 1,430,966</u>	<u>\$ 48,746,413</u>
34,794	709,240
250,774	4,244,956
14,293	284,369
10,371	310,082
49,633	853,813
225,293	225,293
<u>585,158</u>	<u>6,627,753</u>
-	28,061,424
-	1,293,332
-	644,281
10,644	340,994
-	5,037
<u>10,644</u>	<u>30,345,068</u>
-	545,470
265,401	6,752,016
368,210	368,210
171,677	171,677
16,506	16,506
8,036	8,036
12,580	12,580
-	329,862
(7,246)	3,569,235
<u>835,164</u>	<u>11,773,592</u>
<u>\$ 1,430,966</u>	<u>\$ 48,746,413</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total governmental fund balances		\$ 11,773,592
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		93,252,128
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 644,281	
Accrued interest receivable	5,037	
Intergovernmental receivable	340,994	
Total	990,312	990,312
Unamortized premiums on bonds issued are not recognized in the funds.		(5,021,660)
Unamortized amounts on refundings are not recognized in the funds.		3,331,902
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(218,764)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds:		
Deferred outflows of resources - pension	4,671,154	
Deferred inflows of resources - pension	(11,555,406)	
Net pension liability	(63,915,142)	
Total	(70,799,394)	(70,799,394)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(76,069,572)	
Accreted interest - general obligation bonds	(6,472,495)	
Energy conservation note	(90,000)	
Loan	(42,560)	
Capital lease obligations	(1,287,172)	
Compensated absences	(3,043,467)	
Total	(87,005,266)	(87,005,266)
Net position of governmental activities		\$ (53,697,150)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Straight-A Fund</u>
Revenues:				
From local sources:				
Property taxes	\$ 21,682,889	\$ 5,226,528	\$ 2,380,916	\$ -
Payment in lieu of taxes	8,515	-	1,337,729	-
Tuition	431,757	-	-	-
Transportation fees	9,663	-	-	-
Earnings on investments	14,703	-	296	-
Charges for services	-	-	-	-
Extracurricular	482,010	-	-	-
Classroom materials and fees	161,943	-	-	-
Rental income	94,036	-	-	-
Other local revenues	139,942	-	-	-
Intergovernmental - state	26,048,336	2,084,379	734,239	5,273,074
Intergovernmental - federal	91,826	-	-	-
Total revenues	<u>49,165,620</u>	<u>7,310,907</u>	<u>4,453,180</u>	<u>5,273,074</u>
Expenditures:				
Current:				
Instruction:				
Regular	20,625,606	-	668,465	2,868,537
Special	6,168,285	-	-	-
Vocational	457,842	-	-	-
Other	245,210	-	-	-
Support services:				
Pupil	2,883,062	-	-	-
Instructional staff	1,904,673	-	590,090	69,451
Board of education	172,063	-	-	-
Administration	3,016,667	-	-	-
Fiscal	1,048,275	96,190	50,886	-
Business	367,244	-	633,155	-
Operations and maintenance	4,070,409	-	1,140,601	9,597
Pupil transportation	2,145,044	-	638,249	-
Central	781,146	-	-	-
Operation of non-instructional services:				
Other non-instructional services	7,720	-	-	-
Food service operations	-	-	-	-
Extracurricular activities	673,220	-	-	-
Facilities acquisition and construction	22,400	-	100,763	6,899,564
Debt service:				
Principal retirement	85,000	2,106,856	439,073	-
Interest and fiscal charges	6,402	5,514,115	60,090	-
Total expenditures	<u>44,680,268</u>	<u>7,717,161</u>	<u>4,321,372</u>	<u>9,847,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,485,352</u>	<u>(406,254)</u>	<u>131,808</u>	<u>(4,574,075)</u>
Other financing sources (uses):				
Sale of notes	7,356	-	-	-
Transfers in	-	-	-	-
Transfers (out)	<u>(453,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(446,544)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4,038,808	(406,254)	131,808	(4,574,075)
Fund balances at beginning of year	<u>(132,465)</u>	<u>951,724</u>	<u>6,354,807</u>	<u>4,574,075</u>
Fund balances at end of year	<u>\$ 3,906,343</u>	<u>\$ 545,470</u>	<u>\$ 6,486,615</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 29,290,333
-	1,346,244
-	431,757
-	9,663
-	14,999
1,112,807	1,112,807
274,523	756,533
-	161,943
-	94,036
-	139,942
265,566	34,405,594
2,663,686	2,755,512
<u>4,316,582</u>	<u>70,519,363</u>
334,471	24,497,079
1,011,223	7,179,508
-	457,842
-	245,210
69,178	2,952,240
104,272	2,668,486
-	172,063
279,610	3,296,277
-	1,195,351
-	1,000,399
212	5,220,819
5,125	2,788,418
-	781,146
225,095	232,815
1,860,073	1,860,073
252,359	925,579
7,500	7,030,227
-	2,630,929
7,754	5,588,361
<u>4,156,872</u>	<u>70,722,822</u>
<u>159,710</u>	<u>(203,459)</u>
-	7,356
453,900	453,900
-	(453,900)
<u>453,900</u>	<u>7,356</u>
613,610	(196,103)
221,554	11,969,695
<u>\$ 835,164</u>	<u>\$ 11,773,592</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$	(196,103)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 10,388,441	
Current year depreciation	<u>(4,820,121)</u>	
Total		5,568,320
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	28,331	
Earnings on investments	5,037	
Intergovernmental	<u>(4,504,591)</u>	
Total		(4,471,223)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		2,630,929
Issuance of loans are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(7,356)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) in accrued interest payable	(71)	
Accreted interest on capital appreciation bonds	1,058,765	
Amortization of bond premiums	363,069	
Amortization of deferred charges	<u>(242,679)</u>	
Total		1,179,084
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		4,065,925
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,775,907)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(2,374)</u>
Change in net position of governmental activities	\$	<u>5,991,295</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 21,930,707	\$ 21,930,707	\$ 21,805,002	\$ (125,705)
Payment in lieu of taxes	8,564	8,564	8,515	(49)
Tuition	434,245	434,245	431,756	(2,489)
Transportation fees	9,719	9,719	9,663	(56)
Earnings on investments	16,712	16,712	16,616	(96)
Extracurricular	295,080	295,080	293,389	(1,691)
Classroom materials and fees	162,877	162,877	161,943	(934)
Rental income	94,578	94,578	94,036	(542)
Other local revenues	141,751	141,751	140,938	(813)
Intergovernmental - state	26,507,456	26,507,456	26,355,518	(151,938)
Intergovernmental - federal	92,355	92,355	91,826	(529)
Total revenues	<u>49,694,044</u>	<u>49,694,044</u>	<u>49,409,202</u>	<u>(284,842)</u>
Expenditures:				
Current:				
Instruction:				
Regular	22,084,038	22,085,284	21,285,064	800,220
Special	6,430,559	6,430,922	6,260,081	170,841
Vocational	474,882	474,911	436,108	38,803
Other	419,376	419,400	235,891	183,509
Support services:				
Pupil	2,896,390	2,896,554	2,847,168	49,386
Instructional staff	2,183,178	2,183,301	1,939,961	243,340
Board of education	209,073	209,085	184,894	24,191
Administration	3,183,231	3,183,411	3,102,556	80,855
Fiscal	1,114,028	1,114,091	1,030,883	83,208
Business	410,348	410,371	374,757	35,614
Operations and maintenance	4,517,394	4,517,649	4,158,510	359,139
Pupil transportation	2,192,310	2,192,434	2,193,341	(907)
Central	474,391	474,418	780,568	(306,150)
Extracurricular activities	704,389	704,429	687,394	17,035
Facilities acquisition and construction	22,399	22,400	22,400	-
Debt service:				
Principal retirement	529,970	530,000	530,000	-
Interest and fiscal charges	20,999	21,000	15,302	5,698
Total expenditures	<u>47,866,955</u>	<u>47,869,660</u>	<u>46,084,878</u>	<u>1,784,782</u>
Excess of revenues over expenditures	<u>1,827,089</u>	<u>1,824,384</u>	<u>3,324,324</u>	<u>1,499,940</u>
Other financing sources:				
Refund of prior year's expenditures	-	-	16,383	16,383
Total other financing sources	<u>-</u>	<u>-</u>	<u>16,383</u>	<u>16,383</u>
Net change in fund balance	1,827,089	1,824,384	3,340,707	1,516,323
Fund balance at beginning of year	3,527,348	3,527,348	3,527,348	-
Prior year encumbrances appropriated	394,082	394,082	394,082	-
Fund balance at end of year	<u>\$ 5,748,519</u>	<u>\$ 5,745,814</u>	<u>\$ 7,262,137</u>	<u>\$ 1,516,323</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	<u>Business-Type Activities - Nonmajor Enterprise Fund</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 248,882
Total assets.	<u>248,882</u>
Deferred outflows of resources:	
Pension - SERS	<u>43,682</u>
Total deferred outflows of resources	<u>43,682</u>
Liabilities:	
Accounts payable.	3,206
Accrued wages and benefits	13,212
Pension and postemployment benefits	7,695
Intergovernmental payable	<u>1,588</u>
Total current liabilities	<u>25,701</u>
Long-term liabilities:	
Due within one year.	8,320
Due in more than one year:	
Net pension liability (See Note 14)	491,406
Other amounts due in more than one year.	<u>5,943</u>
Total long-term liabilities	<u>505,669</u>
Total liabilities	<u>531,370</u>
Deferred inflows of resources:	
Pension - SERS	<u>79,757</u>
Total deferred inflows of resources	<u>79,757</u>
Net position:	
Unrestricted (deficit).	<u>(318,563)</u>
Total net position (deficit).	<u><u>\$ (318,563)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Nonmajor Enterprise Fund
Operating revenues:	
Tuition and fees.	\$ 530,875
Total operating revenues	<u>530,875</u>
 Operating expenses:	
Personal services.	286,496
Purchased services.	15,522
Materials and supplies	42,604
Other.	4,858
Total operating expenses.	<u>349,480</u>
 Operating income/change in net position.	 181,395
 Net position (deficit) at beginning of year (restated)	 <u>(499,958)</u>
 Net position (deficit) at end of year	 <u>\$ (318,563)</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Nonmajor Enterprise Fund
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 530,875
Cash payments for personal services.	(372,348)
Cash payments for contractual services	(15,256)
Cash payments for materials and supplies	(40,647)
Cash payments for other expenses	(4,858)
	97,766
Net cash provided by operating activities	97,766
Net increase in cash and cash equivalents	97,766
Cash and cash equivalents at beginning of year . . .	151,116
Cash and cash equivalents at end of year	\$ 248,882
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 181,395
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Decrease in deferred outflows - pension	347
Increase in accounts payable	2,174
Increase in accrued wages and benefits	2,932
Increase in intergovernmental payable.	96
Increase in compensated absences payable.	723
(Decrease) in pension obligation payable.	(10,958)
(Decrease) in net pension liability.	(158,700)
Increase in deferred inflows - pension	79,757
	79,757
Net cash provided by operating activities.	\$ 97,766

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 105,743	\$ 271,567
Total assets	105,743	\$ 271,567
Liabilities:		
Intergovernmental payable	-	\$ 5,609
Due to students.	-	198,335
Due to others.	-	67,623
Total liabilities	-	\$ 271,567
Net position:		
Held in trust for scholarships.	105,743	
Total net position.	\$ 105,743	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 48
Gifts and contributions	5,075
Total additions.	5,123
Deductions:	
Scholarships awarded	3,200
Change in net position	1,923
Net position at beginning of year.	103,820
Net position at end of year	\$ 105,743

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Marysville Exempted Village School District, Ohio (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the "Board") which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 214 non-certified and approximately 339 certified teaching personnel and administrative employees providing education to 5,217 students.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

JOINTLY GOVERNED ORGANIZATIONS

Meta Solutions

The District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). Meta Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2015, the District paid \$71,893 to Meta Solutions for services. Financial information can be obtained from Scott Armstrong, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Ohio Hi-Point Joint Vocational School

The Ohio Hi-Point Joint Vocational School District is a political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The Vocational School is governed by a Board of Education that consists of a representative from each participating school district and its degree of control is limited to its representation on the board. To obtain financial information write to the Ohio Hi-Point Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Union County Council of Governments (COG)

The District, Union County, and the City of Marysville (the "Members") formed the COG on January 26, 2012 to collaborate, share resources, reduce costs, centralize supervision and enhance the provision of technology services to its Members. The COG was established pursuant to Ohio Revised Code, Chapter 167. The COG is governed by a Governing Board consisting of the Superintendent of Marysville Exempted Village School District, the Mayor of the City of Marysville, and the President of the Board of Union County Commissioners. The degree of control exercised by each participating Member is limited to its representation on the Governing Board. Financial information is available from Union County, who serves as fiscal agent, at 233 West Sixth Street, Marysville, Ohio 43040.

INSURANCE PURCHASING POOL

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program. The District paid \$4,580 in fees during fiscal year 2015.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

Permanent improvement fund - This fund is used to account for financial resources to be used for the acquisition of major capital assets (other than that financed by proprietary funds).

Straight-A fund - This fund is used to account for monies received through the State of Ohio's Straight-A fund to be used for the construction and establishment of the Marysville STEM Early College High School.

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's only proprietary fund:

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund is used to account for school day care.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary 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 therefore are not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs for students. The District's agency funds account for various student-managed activity programs, unclaimed funds, and the District's Section 125 Cafeteria Plan. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and 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 are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operation. For the District, these revenues are tuition and fees for the school day care program and expenses incurred in operating the school day care program. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payment in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes and payment in lieu of taxes is recognized in the fiscal year for which the taxes are levied (See Notes 6 and 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Budgetary statements are presented beyond that legal level of control for informational purposes only. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following tax year to the Board of Education for consideration and passage. Adoption of a tax budget has been waived by the County Budget Commission.

Estimated Resources

Prior to April 1, unless a later date is approved by the Tax Commissioner, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended certificate of estimated resources issued for fiscal year 2015.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. During the year, several supplemental appropriations were necessary. Administrative control is maintained through the establishment of more detailed line-item budgets.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

F. Cash and Investments

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

During fiscal year 2015, the District's investments included negotiable CDs, Federal Home Loan Mortgage Corporation securities (FHLMC), Federal Farm Credit Bank securities (FFCB), Fannie Mae (FNMA), U.S. government money markets, corporate bonds and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

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

Under existing Ohio statutes, interest earnings are allocated to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$14,703, which includes \$8,698 assigned from other District funds.

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

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

G. Inventory

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

H. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepayments using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no significant prepayments at June 30, 2015.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$2,000. Contributed capital assets are recorded at their fair market values as of the date received. 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. Interest incurred during the construction of capital assets is not capitalized.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

Contributed capital assets are recorded at their fair market values as of the date received.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	50 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	8 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from cash deficits among the governmental activities are classified as “due to/from other funds”. These amounts are eliminated in the governmental type activities columns of the statement of net position.

K. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Employees may earn 15 days of sick leave per year up to a maximum of 270 days. Upon retirement, certified and classified employees will receive 25 percent, and administration will receive 30 percent of the accumulated sick leave up to a maximum of 64 days. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, employees any age with 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

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

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

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

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

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

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

N. Net Position

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

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

O. Estimates

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

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. During fiscal year 2015, there were no transfers between governmental and business-type activities.

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

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

Q. Pensions

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

S. Issuance Costs, Bond Premium/Discount and Accounting Gain/Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

For an advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 14 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements. Net position of the governmental and business type activities was restated as described in Note 3.C.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

B. Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 466
Title IIA - Improving teacher quality	1,674
21st Century	5,106

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities, including due to other funds to cover deficit cash balances at fiscal year-end (see Note 5.A for detail).

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Restatement of Net Position

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental and business-type activities at July 1, 2014 have been restated. In addition, the net position of governmental and business-type activities at July 1, 2014 has been restated to account for prior period adjustments to capital assets as a result of an appraisal. The restatement had the following effect on net position:

	Governmental Activities	Business-Type Activities
Net position as previously reported	\$ 25,496,300	\$ 109,359
Deferred outflows - payments subsequent to measurement date	3,781,370	44,029
Net pension liability	(75,870,782)	(650,106)
Capital assets	(13,095,333)	(3,240)
Restated net position at July 1, 2014	\$ (59,688,445)	\$ (499,958)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources related to the net pension liability as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$12,289,875. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2015, \$6,493,653 of the District’s bank balance of \$12,611,791 was exposed to custodial credit risk as discussed below, while \$6,118,138 was covered by the FDIC.

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

B. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 90,543	\$ 90,543	\$ -	\$ -	\$ -	\$ -
U.S. Government money market	27,516	27,516	-	-	-	-
Negotiable CDs	2,098,794	-	500,413	-	1,000,841	597,540
Corporate bond	20,312	20,312	-	-	-	-
FFCB	648,729	-	-	-	499,565	149,164
FHLMC	345,066	-	-	-	144,965	200,101
FNMA	400,403	-	-	-	-	400,403
Total	\$ 3,631,363	\$ 138,371	\$ 500,413	\$ -	\$ 1,645,371	\$ 1,347,208

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District’s policy attempts to match its investments with anticipated cash flow requirements. Unless matched to a specific obligation or debt of the District, investments of the District will be limited to those maturing in five years or less from the date of settlement.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The investment in FFCB, FHLMC and FNMA carry ratings of Aaa by Moodys and AA+ by Standard & Poor's. The corporate bonds carry a rating of AA2 by Moodys and A by Standard & Poor's. The U.S. government money market and negotiable CDs were not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State Statute.

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

<u>Investment type</u>	<u>Fair value</u>	<u>% to total</u>
STAR Ohio	\$ 90,543	2.49
U.S. Government		
money market	27,516	0.76
Negotiable CDs	2,098,794	57.80
Corporate bond	20,312	0.56
FFCB	648,729	17.86
FHLMC	345,066	9.50
FNMA	400,403	11.03
Total	<u>\$ 3,631,363</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 12,289,875
Investments	<u>3,631,363</u>
Total	<u>\$ 15,921,238</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 15,295,046
Business-type activities	248,882
Private-purpose trust fund	105,743
Agency fund	<u>271,567</u>
Total	<u>\$ 15,921,238</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2015, as reported on the fund financial statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds:	
	Race to the top	1,464
	Title VI-B	89,746
	Title I	51,976
	IDEA, preschool grant for the handicapped	5,441
	Improving teacher quality	18,889
	Miscellaneous federal grants	<u>57,777</u>
	Total	<u>\$ 225,293</u>

The purpose of the due to/from other funds is to cover the negative cash balances at fiscal year-end in the nonmajor governmental funds. The interfund balances will be repaid once the anticipated revenues are received.

- B. Interfund transfers for the fiscal year 2015 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Building nonmajor capital projects fund	<u>\$ 453,900</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers from the general fund to the building nonmajor capital projects fund are to provide for the principal retirement of the short-term energy conservation notes on GAAP-basis, as the notes were reported as a liability in the building nonmajor capital projects fund in the prior year.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Union 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 as an advance at June 30, 2015 was \$1,731,752 in the general fund, \$485,293 in the bond retirement fund and \$192,577 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$1,853,865 in the general fund, \$388,405 in the bond retirement fund and \$205,849 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 628,681,030	91.22	\$ 633,630,190	90.39
Public utility personal	<u>60,532,510</u>	<u>8.78</u>	<u>67,337,060</u>	<u>9.61</u>
Total	<u>\$ 689,213,540</u>	<u>100.00</u>	<u>\$ 700,967,250</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 59.56		\$ 62.27	

NOTE 7 - PAYMENT IN LIEU OF TAXES

According to State law, Union County has entered into agreements with property owners under which Union County has granted property tax abatements to those property owners and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to Union County to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by those owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. The District received \$1,346,244 in payments in lieu of taxes during fiscal year 2015 and a receivable of \$1,293,332 has been reported on the fund financial statements and the statement of net position.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes, payment in lieu of taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 31,115,327
Payment in lieu of taxes	1,293,332
Accrued interest	5,621
Intergovernmental	<u>810,265</u>
Total receivables	<u>\$ 33,224,545</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 8 - RECEIVABLES - (Continued)

Receivables have been disaggregated on the face of the basic financial statements. All receivables, except property taxes and payment in lieu of taxes, are expected to be collected within one year. Property taxes and payments in lieu of taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

NOTE 9 - CAPITAL ASSETS

Net position and capital assets balances have been restated for prior period adjustments required as a result of an appraisal and errors and omissions previously reported. The adjustments had the following effect on the District's governmental and business-type activities capital asset balances:

	Balance		(Restated) Balance
	<u>June 30, 2014</u>	<u>Adjustments</u>	<u>July 1, 2014</u>
Governmental Activities:			
Capital assets, not being depreciated:			
Land	\$ 6,355,496	\$ -	\$ 6,355,496
Construction in progress	<u>2,279,203</u>	<u>-</u>	<u>2,279,203</u>
Total capital assets, not being depreciated	<u>8,634,699</u>	<u>-</u>	<u>8,634,699</u>
Capital assets, being depreciated:			
Land improvements	4,368,567	(4,368,567)	-
Building and improvements	114,964,398	6,852,224	121,816,622
Furniture, fixtures and equipment	19,199,064	(15,288,279)	3,910,785
Vehicles	<u>3,190,342</u>	<u>(489,705)</u>	<u>2,700,637</u>
Total capital assets, being depreciated	<u>141,722,371</u>	<u>(13,294,327)</u>	<u>128,428,044</u>
Less: accumulated depreciation			
Land improvements	(3,359,376)	3,359,376	-
Building and improvements	(29,016,827)	(19,433,641)	(48,450,468)
Furniture, fixtures and equipment	(14,880,186)	14,075,364	(804,822)
Vehicles	<u>(2,321,540)</u>	<u>2,197,895</u>	<u>(123,645)</u>
Total accumulated depreciation	<u>(49,577,929)</u>	<u>198,994</u>	<u>(49,378,935)</u>
Governmental activities capital assets, net	<u>\$ 100,779,141</u>	<u>\$ (13,095,333)</u>	<u>\$ 87,683,808</u>
Business-Type Activities:			
Capital assets, being depreciated:			
Furniture, fixtures and equipment	\$ 4,730	\$ (4,730)	\$ -
Less: accumulated depreciation			
Furniture, fixtures and equipment	<u>(1,490)</u>	<u>1,490</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 3,240</u>	<u>\$ (3,240)</u>	<u>\$ -</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 9 - CAPITAL ASSETS (Continued)

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

	(Restated)			
	Balance			Balance
Governmental activities:	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 6,355,496	\$ -	\$ -	\$ 6,355,496
Construction in progress	<u>2,279,203</u>	<u>-</u>	<u>(2,279,203)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>8,634,699</u>	<u>-</u>	<u>(2,279,203)</u>	<u>6,355,496</u>
Capital assets, being depreciated:				
Building and improvements	121,816,622	9,769,315	-	131,585,937
Furniture, fixtures and equipment	3,910,785	2,080,726	-	5,991,511
Vehicles	<u>2,700,637</u>	<u>817,603</u>	<u>-</u>	<u>3,518,240</u>
Total capital assets, being depreciated	<u>128,428,044</u>	<u>12,667,644</u>	<u>-</u>	<u>141,095,688</u>
Less: accumulated depreciation				
Building and improvements	(48,450,468)	(4,246,731)	-	(52,697,199)
Furniture, fixtures and equipment	(804,822)	(373,896)	-	(1,178,718)
Vehicles	<u>(123,645)</u>	<u>(199,494)</u>	<u>-</u>	<u>(323,139)</u>
Total accumulated depreciation	<u>(49,378,935)</u>	<u>(4,820,121)</u>	<u>-</u>	<u>(54,199,056)</u>
Governmental activities capital assets, net	<u>\$ 87,683,808</u>	<u>\$ 7,847,523</u>	<u>\$ (2,279,203)</u>	<u>\$ 93,252,128</u>

At June 30, 2015, the District had one building which was not being utilized due to the opening of the new middle school building during fiscal year 2009. The East Elementary building will be reopened if necessary due to increased student enrollment or changes in the kindergarten program. The East Elementary building was fully depreciated at June 30, 2015.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 2,486,648
Special	729,064
Vocational	49,223
Support Services:	
Pupil	334,101
Instructional staff	364,118
Administration	345,566
Fiscal	62,990
Business	30,883
Operations and maintenance	93,203
Pupil transportation	199,494
Food service operations	30,597
Extracurricular	<u>94,234</u>
Total depreciation expense	<u>\$ 4,820,121</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 10 - CAPITALIZED LEASES

Prior to fiscal year 2015, the District entered into agreements for buildings and improvements and computer networking technology under capital lease obligations. These leases meet the criteria of a capital lease as defined by GASB, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

The cost of the capital assets obtained under capital lease for buildings and improvements is \$1,634,164, and has been included in the governmental activities capital assets. The assets acquired by lease agreement for computer networking technology were not capitalized as the individual assets did not exceed the District's threshold for capitalization.

A corresponding liability for future principal payments on the capital lease agreements is recorded in the statement of net position. Principal payments in the 2015 fiscal year totaled \$439,073. This amount is reflected as debt service principal retirement in the permanent improvement fund and as a reduction to the long-term liabilities reported on the statement of net position.

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 412,368
2017	156,689
2018	156,111
2019	155,269
2020	155,140
2021 - 2023	<u>466,204</u>
Total minimum lease payments	1,501,781
Less: amount representing interest	<u>(214,609)</u>
Total	<u>\$ 1,287,172</u>

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**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 11 - LONG-TERM OBLIGATIONS

A. The District's long-term obligations activity during fiscal year 2015 consisted of the following. The long-term obligations at June 30, 2014 have been restated as described in Note 3.C.

	(Restated) Balance			Balance	Amounts
	<u>June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities:					
<u>General obligation bonds</u>					
2001 Refunding new elementary 3.4-5.15%	\$ 4,181,030	\$ -	\$ (31,692)	\$ 4,149,338	\$ 24,851
2000 Fifth/sixth elementary 5.79%	577,829	-	(139,583)	438,246	151,660
2000 New elementary and middle school 4.35-5.375%	157,645	-	(44,283)	113,362	50,024
2002 Refunding fifth/sixth elementary 3.60%	414,974	-	-	414,974	-
2005 Refunding school improvement 3.25-5%	30,664,966	-	(921,298)	29,743,668	871,940
2006 School improvement/refunding 3.5-5%	13,714,984	-	(935,000)	12,779,984	800,000
2012 School improvement/refunding 2-5%	10,845,000	-	(35,000)	10,810,000	165,000
2013 School improvement/refunding 2-5%	8,605,000	-	-	8,605,000	-
2014 School improvement/refunding 1-4%	9,015,000	-	-	9,015,000	-
Subtotal general obligaton bonds	<u>78,176,428</u>	<u>-</u>	<u>(2,106,856)</u>	<u>76,069,572</u>	<u>2,063,475</u>
Unamortized premium on bond issuances	5,384,729	-	(363,069)	5,021,660	-
Capital appreciation bonds interest accretion	<u>7,531,260</u>	<u>1,169,379</u>	<u>(2,228,144)</u>	<u>6,472,495</u>	<u>-</u>
Total general obligation bonds	<u>91,092,417</u>	<u>1,169,379</u>	<u>(4,698,069)</u>	<u>87,563,727</u>	<u>2,063,475</u>
<u>Other long-term obligations:</u>					
Energy conservation notes	175,000	-	(85,000)	90,000	90,000
Loan payable	35,204	7,356	-	42,560	-
Early retirement incentive	302,889	-	(302,889)	-	-
Compensated absences	3,339,877	755,006	(741,334)	3,353,549	763,892
Net pension liability	75,870,782	-	(11,955,640)	63,915,142	-
Capital leases payable	<u>1,726,245</u>	<u>-</u>	<u>(439,073)</u>	<u>1,287,172</u>	<u>363,172</u>
Total other long-term obligations	<u>81,449,997</u>	<u>762,362</u>	<u>(13,523,936)</u>	<u>68,688,423</u>	<u>1,217,064</u>
Total	<u>\$ 172,542,414</u>	<u>\$ 1,931,741</u>	<u>\$ (18,222,005)</u>	<u>\$ 156,252,150</u>	<u>\$ 3,280,539</u>
Business-type Activities:					
Compensated absences	\$ 13,540	\$ 8,867	\$ (8,144)	\$ 14,263	\$ 8,320
Net pension liability	<u>650,106</u>	<u>-</u>	<u>(158,700)</u>	<u>491,406</u>	<u>-</u>
Total business-type activities	<u>\$ 663,646</u>	<u>\$ 8,867</u>	<u>\$ (166,844)</u>	<u>\$ 505,669</u>	<u>\$ 8,320</u>

Compensated absences - Compensated absences will be paid from the fund from which the person is paid, which, for governmental activities, is primarily the general fund, the food service, Straight-A, IDEA Part-B, Title I, improving teacher quality and miscellaneous federal grant nonmajor special revenues funds, and, for business-type activities, the school day care fund.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Net Pension Liability - The District pays obligations related to employee compensation from the fund benefitting their service. See Note 14 to the notes to the basic financial statements for details.

Capital leases payable - Refer to Note 10 to the notes to the basic financial statements for detail on the capital lease obligations.

Early retirement incentive (ERI) - The District Board of Education approved an early retirement incentive for certified and classified employees for fiscal years 2011 and 2012. Employees who elected to participate in the ERI received a payment for their unused sick leave, to the extent allowed by the current labor agreement along with a payment of \$20,000-\$45,000. The payment for the ERI was paid out over a three-year period beginning in fiscal years 2011 and 2012. The final ERI payments were made during fiscal year 2015 in the general and food service funds.

Energy conservation project - The District has issued long-term energy conservation notes to provide financing for energy conservation measures to significantly reduce energy consumption in the buildings of the District. Payments of principal and interest on the energy conservation notes are reported as expenditures in the general fund.

Loan payable - On June 26, 2012, the Board of Education approved a resolution to authorize the District Treasurer to enter into a loan agreement on behalf of the District for the Union County Council of Governments (COG). The District's share of the \$400,000 no-interest loan with the Ohio Department of Development is scheduled to be 10.64 percent of the loan. As of June 30, 2015, the COG has the entire amount of the loan proceeds for approved expenditures. A liability for the District's share of \$42,560 has been reported as a liability on the statement of net position. A payment schedule will not be available until all loan funds have been disbursed.

- B.** Principal and interest requirements to retire the general obligation bonds and energy conservation notes are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Energy Conservation Notes		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 2,063,475	\$ 5,730,363	\$ 7,793,838	\$ 90,000	\$ 2,183	\$ 92,183
2017	1,725,244	6,043,018	7,768,262	-	-	-
2018	3,307,889	4,364,348	7,672,237	-	-	-
2019	4,360,624	3,492,263	7,852,887	-	-	-
2020	3,574,504	4,594,296	8,168,800	-	-	-
2021 - 2025	25,032,836	15,701,416	40,734,252	-	-	-
2026 - 2030	36,005,000	4,093,781	40,098,781	-	-	-
Total	<u>\$76,069,572</u>	<u>\$ 44,019,485</u>	<u>\$120,089,057</u>	<u>\$ 90,000</u>	<u>\$ 2,183</u>	<u>\$ 92,183</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. Defeased Debt

In March 2001, the District defeased \$7,669,538 of general obligation bonds for the new elementary additions, dated October 1, 1995, through the issuance of \$7,667,973 of general obligation bonds for the new elementary additions. The net proceeds of the 2001 bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$4,408,022 at June 30, 2015, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In March 2002, the District defeased \$13,335,000 of general obligation bonds for the fifth/sixth elementary building, dated March 1, 2000, through the issuance of \$13,334,974 of general obligation bonds for the fifth/sixth elementary building. The net proceeds of the 2002 bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$13,335,000 at June 30, 2015, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In September 2005, the District defeased \$41,425,000 of certificates of participation for school improvements, dated March 2, 2005, through the issuance of \$40,284,966 of general obligation bonds for school improvements. The net proceeds of the 2005 bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded certificates. The refunded certificates, which have an outstanding balance of \$32,595,000 at June 30, 2015, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In February 2006, the District defeased \$12,350,000 of general obligation bonds for a new elementary and Raymond elementary school improvements, dated December 1, 2000, through the issuance of \$12,349,984 of general obligation bonds for school improvements. The net proceeds of the 2006 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$12,210,000 at June 30, 2015, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

In November 2012, the District issued \$10,870,000 in school improvement general obligation refunding bonds to currently refund \$10,835,000 of the school improvement refunding bonds dated March 1, 2002 and to advance refund \$515,000 of the school improvement bonds dated March 2, 2006. The debt issue is comprised of current interest serial bonds (par value \$8,845,000) and current interest term bonds (par value \$2,025,000). The interest rate on the current interest serial bonds ranges from 2.00- 5.00 percent and the interest rate on the current interest term bonds is 3.00 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029. The net proceeds of the 2012 school improvement refunding bonds related to the advance refunding portion have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$150,000 at June 30, 2015, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In November 2013, the District issued \$8,655,000 in school improvement general obligation refunding bonds to advance refund \$8,830,000 of the school improvement bonds dated March 2, 2006. The debt issue is comprised of current interest serial bonds (par value \$6,705,000) and current interest term bonds (par value \$1,950,000). The interest rate on the current interest serial bonds ranges from 2.00- 5.00 percent and the interest rate on the current interest term bonds is 5.00 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2026. The net present value savings of the refunding was \$420,434. The reacquisition price exceeded the net carrying amount of the old debt by \$1,007,863. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The net proceeds of the 2013 school improvement refunding bonds related to the advance refunding portion have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$8,830,000 at June 30, 2015, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In June 2014, the District issued \$9,015,000 in school improvement general obligation refunding bonds to advance refund \$9,130,000 of the school improvement bonds dated March 2, 2006. The debt issue is comprised of current interest serial bonds (par value \$9,015,000). The interest rate on the current interest serial bonds ranges from 1.00- 4.00 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029. The net present value savings of the refunding was \$674,488. The reacquisition price exceeded the net carrying amount of the old debt by \$577,407. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The net proceeds of the 2014 school improvement refunding bonds related to the advance refunding portion have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$9,130,000 at June 30, 2015, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

Under current State statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9 percent of the total assessed value of real and personal property with certain exceptions. One such exception is to receive a special needs district certification from the Superintendent of Public Instruction. The District was certified as a special needs district on June 29, 2005 and as a result may incur net indebtedness by issuance of securities in an amount that does not exceed 9 percent of the projected increase of its tax valuation in during the next ten years.

NOTE 12 - NOTES PAYABLE

Note payable activity of the District for the fiscal year ended June 30, 2015, was as follows:

<u>Note Payable</u>	<u>Interest Rate</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Energy conservation note	2.00%	\$ 445,000	\$ -	\$ (445,000)	\$ -

The maturity date of the 2014 note was May 15, 2015. The energy conservation note was initially issued to provide financing for energy conservation measures to significantly reduce energy consumption in the buildings of the District. Payments of principal and interest on the energy conservation notes are reported as expenditures in the building fund.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District contracted with Ohio Casualty Insurance Company for various coverages, as follows:

<u>Coverage/Deductible</u>	<u>Aggregate</u>
Fleet Insurance - \$500/Comprehensive 500/Collision	\$1,000,000
Buildings and Contents - \$1,000	
School District Liability (no deductible)	2,000,000
Employee Benefits Liability - \$1,000	3,000,000
School Leaders Errors and Omissions - \$2,500	1,000,000
Umbrella Policy (no deductible)	5,000,000
Crime - \$1,000	100,000
Miscellaneous - \$500	
Computers - \$500	

Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - RISK MANAGEMENT - (Continued)

B. Worker's Compensation

The District participates in a Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Group Life, Medical, Dental, and Vision Insurance

The District has elected to provide a comprehensive benefits package to employees through a fully-insured program. The District provides life and health insurance to employees through United Healthcare, dental insurance through Core Source, and vision insurance through VSP.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 \$992,469 for fiscal year 2015. Of this amount \$120,798 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The District's contractually required contribution to STRS was \$3,116,095 for fiscal year 2015. Of this amount, \$516,708 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 12,347,132	\$ 52,059,416	\$ 64,406,548
Proportion of the net pension liability	0.24396900%	0.21402964%	
Pension expense	\$ 720,536	\$ 2,019,414	\$ 2,739,950

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 105,087	\$ 501,185	\$ 606,272
District contributions subsequent to the measurement date	<u>992,469</u>	<u>3,116,095</u>	<u>4,108,564</u>
Total deferred outflows of resources	<u>\$ 1,097,556</u>	<u>\$ 3,617,280</u>	<u>\$ 4,714,836</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 2,003,974</u>	<u>\$ 9,631,189</u>	<u>\$ 11,635,163</u>
Total deferred inflows of resources	<u>\$ 2,003,974</u>	<u>\$ 9,631,189</u>	<u>\$ 11,635,163</u>

\$4,108,564 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (474,722)	\$ (2,282,501)	\$ (2,757,223)
2017	(474,722)	(2,282,501)	(2,757,223)
2018	(474,722)	(2,282,501)	(2,757,223)
2019	<u>(474,721)</u>	<u>(2,282,501)</u>	<u>(2,757,222)</u>
Total	<u>\$ (1,898,887)</u>	<u>\$ (9,130,004)</u>	<u>\$ (11,028,891)</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.

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 17,615,688	\$ 12,347,132	\$ 7,915,821

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.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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>	

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	\$ 74,528,729	\$ 52,059,416	\$ 33,057,937

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 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 \$130,907.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$184,422, \$133,967, and \$124,227, respectively. For fiscal year 2015, 89.12 percent has been contributed, with the balance being reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

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

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 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, \$223,889, and \$221,275 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 3,340,707
Net adjustment for revenue accruals	(432,203)
Net adjustment for expenditure accruals	1,255,863
Net adjustment for other sources/uses	(462,927)
Funds budgeted elsewhere	4,956
Adjustment for encumbrances	332,412
GAAP basis	<u>\$ 4,038,808</u>

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

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not involved in material litigation as either plaintiff or defendant.

C. 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 Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 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.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

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

NOTE 18 - SET ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	858,636
Current year offsets	<u>(3,128,427)</u>
Total	<u>\$ (2,269,791)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 213,255
Permanent improvement fund	785,954
Other governmental funds	<u>88,829</u>
Total	<u>\$ 1,088,038</u>

NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS

On September 3, 2015, the District issued \$36,335,000 in School Improvement Refunding Bonds, Series 2015. The bonds issue consists of current interest serial bonds with an annual interest rate of 3.50-5.00 percent maturing on December 1, 2029.

REQUIRED SUPPLEMENTARY INFORMATION

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.24396900%	0.24396900%
District's proportionate share of the net pension liability	\$ 12,347,132	\$ 14,508,053
District's covered-employee payroll	\$ 7,089,250	\$ 7,244,964
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	200.25%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.21402964%	0.21402964%
District's proportionate share of the net pension liability	\$ 52,059,416	\$ 62,012,835
District's covered-employee payroll	\$ 21,867,915	\$ 22,127,546
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	280.25%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 992,469	\$ 982,570	\$ 1,002,703	\$ 1,035,884
Contributions in relation to the contractually required contribution	<u>(992,469)</u>	<u>(982,570)</u>	<u>(1,002,703)</u>	<u>(1,035,884)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,530,114	\$ 7,089,250	\$ 7,244,964	\$ 7,701,740
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 947,303	\$ 1,098,270	\$ 870,730	\$ 839,038	\$ 800,149	\$ 734,237
<u>(947,303)</u>	<u>(1,098,270)</u>	<u>(870,730)</u>	<u>(839,038)</u>	<u>(800,149)</u>	<u>(734,237)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,536,221	\$ 8,111,300	\$ 8,848,882	\$ 8,544,175	\$ 7,492,032	\$ 6,939,858
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 3,116,095	\$ 2,842,829	\$ 2,876,581	\$ 3,069,321
Contributions in relation to the contractually required contribution	<u>(3,116,095)</u>	<u>(2,842,829)</u>	<u>(2,876,581)</u>	<u>(3,069,321)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 22,257,821	\$ 21,867,915	\$ 22,127,546	\$ 23,610,162
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 3,024,223	\$ 2,895,483	\$ 3,031,604	\$ 3,075,239	\$ 2,913,411	\$ 2,776,154
<u>(3,024,223)</u>	<u>(2,895,483)</u>	<u>(3,031,604)</u>	<u>(3,075,239)</u>	<u>(2,913,411)</u>	<u>(2,776,154)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 23,263,254	\$ 22,272,946	\$ 23,320,031	\$ 23,655,685	\$ 22,410,854	\$ 21,355,031
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	\$ 95,850
Cash Assistance:		
School Breakfast Program	10.553	112,875
National School Lunch Program	10.555	568,506
Total Child Nutrition Cluster		<u>777,231</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>777,231</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through the Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	531,053
Special Education Cluster:		
Special Education - Grants to States	84.027	898,618
Special Education - Preschool Grants	84.173	5,441
Total Special Education Cluster		<u>904,059</u>
Twenty-First Century Community Learning Centers	84.287	215,392
ARRA-Race-to-the-Top Incentive Grants	84.395	6,020
Improving Teacher Quality State Grants	84.367	<u>134,384</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>1,790,908</u>
TOTAL FEDERAL AWARDS EXPENDITURES		<u>\$ 2,568,139</u>

The accompanying notes to this schedule are an integral part of this schedule.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Marysville Exempted Village School District's (the District's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



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*

Marysville Exempted Village School District
Union County
1000 Edgewood Drive
Marysville, Ohio 43040

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Marysville Exempted Village School District, Union 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 March 17, 2016, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We also noted the fiscal year 2014 financial statements have been restated due to a re-appraisal of assets.

Internal Control Over Financial Reporting

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

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Marysville Exempted Village School District
Union County
1000 Edgewood Drive
Marysville, Ohio 43040

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Marysville Exempted Village School District's, Union County, Ohio, (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Marysville Exempted Village School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Marysville Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect each major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.010 – Title I Grants to Local Educational Agencies <u>Special Education Cluster</u> CFDA #84.027 – Special Education-Grants to States CFDA #84.173 – Special Education-Preschool Grants
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015
(Continued)

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

FINDING NUMBER 2015-001

Material Weakness - Financial Reporting

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During fiscal year 2015, an appraisal was performed over the District's assets. An error in reporting the appraised values resulted in audit adjustments to reduce beginning net position (\$8,525,943), increase depreciation expense (\$1,992,150), and reduce depreciable capital assets (\$10,518,093) in Governmental Activities.

The District has posted this adjustment to their financial statements.

The adjustment identified above should be reviewed by the Treasurer and Board to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the District should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the District's activity.

Officials' Response: Variance due to revising capital asset valuations based on new appraisal. This revision will ensure the District starts the year with accurate asset valuation.

3. FINDINGS FOR FEDERAL AWARDS

None



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**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 19, 2016**