

Milton-Union Exempted Village School District
Miami County, Ohio

Basic Financial Statements

June 30, 2015

with Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
Milton-Union Exempted Village School District
7610 Melton Potsdam Rd
West Milton, OH 45383

We have reviewed the *Independent Auditor's Report* of the Milton-Union Exempted Village School District, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 26, 2016

This page intentionally left blank.

TABLE OF CONTENTS

Independent Auditors' Report	1-2
<u>Basic Financial Statements:</u>	
Management's Discussion and Analysis	3-8
Statement of Net Position – Cash Basis	9
Statement of Activities – Cash Basis.....	10
Statement of Assets and Fund Balances – Governmental Funds	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	12
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance (Budgetary Basis) – General Fund.....	13
Statement of Fiduciary Net Position – Cash Basis	14
Statement of Changes in Fiduciary Net Position – Cash Basis – Private Purpose Trust	15
Notes to the Basic Financial Statements.....	16-39
Schedule of Expenditures of Federal Awards.....	40
Notes to the Schedule of Expenditures of Federal Awards	41
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42-43
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	44-45
Schedule of Findings and Questioned Costs.....	46-47
Schedule of Prior Audit Findings.....	48

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

Board of Education
Milton-Union Exempted Village School District
7610 Milton-Potsdam Rd.
West Milton, Ohio 45383

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 1 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in cash financial position thereof, and the respective budgetary fund comparison for the General Fund, for the year then ended in accordance with the accounting basis described in Note 1.

14 east main street, ste. 500
springfield, oh 45502

www.cshco.com
p. 937.399.2000
f. 937.399.5433

Accounting Basis

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinions regarding this matter.

Other Matters

Supplemental and Other Information

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards (page 40), as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Management's Discussion and Analysis (pages 3-8) are presented for purposes of additional analysis and are not a required part of the basic financial statements

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 21, 2015

The discussion and analysis of the Milton-Union Exempted Village School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and related note disclosures to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- Total net cash position increased by 6.8 percent from fiscal year 2014 as the ending net cash position ended the year at \$14.8 million compared with \$13.8 million at the beginning of the year. The unrestricted net cash position of the District ended the year at \$6.9 million, an increase of over \$400,000 from the amount reported in the prior year. Unrestricted net position reported at June 30, 2015 and 2014 represented 45.0 percent and 44.3 percent, respectively, of the annual operating expenditures (total less capital outlay and debt service) reported for those fiscal years.
- Total cash receipts for the fiscal year were nearly \$5.3 million more than those received in the prior fiscal year; however if debt proceeds are excluded, the increase was \$761,000 or 4.4 percent. The increase in cash receipts is attributed to primarily to the \$870,000 of state Straight-A grant funding received by the School District for the first time in fiscal year 2015.
- Total cash disbursements reported for fiscal year 2015 were approximately \$5.0 million more than those reported for fiscal year 2014; however if debt issuance costs and payments to refunding agent are excluded, the increase was \$442,000 or 2.6 percent. This increase consisted primarily of higher disbursements reported for instructional staff support and operation of non-instructional services related to grant disbursements associated with the state Straight-A grant program.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on a cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America (GAAP). Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the cash basis of accounting, the School District's receipts and disbursements and the related cash assets are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net position and the statement of activities provide information about the cash activity of the School District, as a whole. Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, major funds, with all other non-major funds presented in total in a single column.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2015, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program cash receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible.

Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School 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 School District presents all of its activities as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service disbursements.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general, bond retirement, permanent improvements, and classroom facilities funds. The remaining governmental funds are combined and reported in one column within the fund financial statements.

Governmental Funds

All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using the cash basis of accounting and provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support programs of the School District. The cash basis of accounting is also used for fiduciary funds.

Milton-Union Exempted Village School District
Miami County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The School District as a Whole

Table 1 provides a summary of the School District's net cash position reported at June 30, 2015 compared to one year prior:

**TABLE 1
NET CASH POSITION
GOVERNMENTAL ACTIVITIES**

	2015	2014	Change
Cash Assets:			
Total Assets	\$ 14,765,180	\$ 13,827,649	\$ 937,531
Net Cash Position:			
Restricted	7,829,380	7,295,702	533,678
Unrestricted	6,935,800	6,531,947	403,853
Total Net Cash Position	<u>\$ 14,765,180</u>	<u>\$ 13,827,649</u>	<u>\$ 937,531</u>

Table 2 shows the changes in net cash position for fiscal year 2015 as compared to fiscal year 2014.

**TABLE 2
CHANGES IN NET CASH POSITION
GOVERNMENTAL ACTIVITIES**

	2015	2014	Change
Receipts			
Program Receipts:			
Charges for Services	\$ 1,519,051	\$ 1,556,886	\$ (37,835)
Operating Grants and Contributions	1,881,969	1,034,290	847,679
General Receipts:			
Property Taxes	5,356,273	5,295,064	61,209
Income Taxes	2,199,854	2,112,657	87,197
Grants and Entitlements	6,923,259	7,134,493	(211,234)
Other	232,046	218,104	13,942
Debt Issuance and Premiums	4,585,537	-	4,585,537
Total Receipts	<u>22,697,989</u>	<u>17,351,494</u>	<u>5,346,495</u>
Program Expenditures			
Instruction	8,855,003	8,753,374	101,629
Support Services:			
Pupil and Instructional Staff	1,530,413	1,099,357	431,056
Board of Education, Administration, Fiscal and Business	1,675,542	1,785,864	(110,322)
Plant Operation and Maintenance	996,117	999,693	(3,576)
Pupil Transportation	652,220	844,058	(191,838)
Central	166,125	217,484	(51,359)
Operation of Non-Instructional Services	973,969	522,517	451,452
Extracurricular Activities	567,866	508,347	59,519
Capital Outlay	122,579	311,228	(188,649)
Debt Service	6,220,624	1,691,468	4,529,156
Total Expenditures	<u>21,760,458</u>	<u>16,733,390</u>	<u>5,027,068</u>
Change in Net Cash Position	937,531	618,104	319,427
Net Cash Position, Beginning of Year	13,827,649	13,209,545	618,104
Net Cash Position, End of Year	<u>\$ 14,765,180</u>	<u>\$ 13,827,649</u>	<u>\$ 937,531</u>

Milton-Union Exempted Village School District
Miami County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

As noted in Table 1, the total net cash position of the School District reported at the end of the current fiscal year increased by \$937,531, or 6.8 percent, from the amount reported one year prior, and represents an increase of approximately \$320,000 over the increase in net cash position reported by the School District for the prior fiscal year. The unrestricted net cash position of the District ended the year at \$6.9 million, an increase of just over \$400,000 from the amount reported in the prior year. Unrestricted net position reported at June 30, 2015 and 2014 represented 45.0 percent and 44.3 percent, respectively, of the annual operating expenditures (total less capital outlay and debt service) reported for those fiscal years. Restricted net position increased by \$533,678 during the fiscal year as some of the funding received during the fiscal year related to the State funded Straight-A's grant remained unspent at the end of the fiscal year.

As shown in Table 2 above, the total cash receipts of the School District for fiscal year 2015 increased by 30.8 percent (\$5.3 million) over those received in fiscal year 2014. A significant portion of that increase (\$4.6 million) was related to the issuance of refunding general obligations bonds during fiscal year 2015. The proceeds from the issuance of these bonds (and related premiums) were placed in an irrevocable trust to advance refund debt obligations previously issued by the School District. The other significant increase in cash receipts for fiscal year 2015 was the receipt of the State funded Straight-A's grant funding. Fiscal year 2015 represented the first year for the grant and the School District is operating as the lead district for a group consisting of the School District and two other districts. As the lead district, the School District must report receipts and disbursements of the grant funding, even if the funding was intended to benefit one of the other two districts in the group. The School District's allocation of the grant awards is approximately one-fourth and cash receipts for the year totaled nearly \$870,000. The decrease in grants and entitlements resulted from a decrease in enrollment, higher payments to the county esc and an increase in students electing to utilize open enrollment, community schools or STEM schools.

For fiscal year 2015, program cash receipts totaled \$3.4 million and general cash receipts were \$19.3 million; equal to 15.0 and 85.0 percent of the total cash receipts, respectively. Property and income tax receipts totaled \$7.6 million or 33.3 percent of total cash receipts for fiscal year 2015; 41.7 percent if debt issuance and premiums are excluded.

Table 3 shows the total and net cost of services for each functional area for fiscal year 2015 as compared with fiscal year 2014.

**TABLE 3
TOTAL AND COST OF PROGRAM SERVICES
GOVERNMENTAL ACTIVITIES**

	2015		2014	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 8,855,003	\$ 7,048,539	\$ 8,753,374	\$ 6,929,198
Support Services:				
Pupil and Instructional Staff	1,530,413	1,158,254	1,099,357	1,084,917
Board of Education, Administration, Fiscal and Business	1,675,542	1,675,542	1,785,864	1,785,864
Plant Operation and Maintenance	996,117	993,753	999,693	996,842
Pupil Transportation	652,220	652,220	844,058	844,058
Central	166,125	160,725	217,484	209,315
Operation of Non-Instructional Services	973,969	(52,224)	522,517	(14,120)
Extracurricular Activities	567,866	379,426	508,347	310,787
Capital Outlay	122,579	122,579	311,228	303,885
Debt Service	6,220,624	6,220,624	1,691,468	1,691,468
Total Expenditures	<u>\$ 21,760,458</u>	<u>\$ 18,359,438</u>	<u>\$ 16,733,390</u>	<u>\$ 14,142,214</u>

Total cash disbursements reported for fiscal year 2015 were approximately \$5.0 million, or 30.0 percent, more than those reported for fiscal year 2014. The primary reason for the increase in disbursements related the payment to the escrow agent in conjunction with the debt refunding (\$4.5 million) as well as the related issuance costs associated with the issuance of the refunding bonds (\$101,000). If the refunding debt related disbursements are excluded, disbursements increased nearly \$442,000 over those reported for the prior year or 2.6 percent. The large increase in pupil and instructional staff support services as well as non-instructional services relate to disbursements made by the School District related to the Straight-A's grant described above. The decrease in pupil transportation and capital outlay are attributed to fiscal year 2015 being the second school year that students were located on the new single-campus site which reduced transportation costs as well capital related projects.

Expenditures for instructional services represent 57.4 percent of total disbursements less capital and debt service. Program cash receipts financed \$1.8 million of the instructional disbursements while general receipts were used to cover the remaining \$7.0 million of disbursements. In total, \$3.4 million of the School District's total disbursements were funded through program cash receipts and the remaining \$18.4 million of disbursements (84.4 percent) were funded using general cash receipts.

The School District's Funds

The School District's governmental funds are also accounted for under the cash basis of accounting. The governmental funds reported a 6.8 percent increase in fund balance from the prior fiscal year. All of the School District's major governmental funds reported an increase in fund balance for the year, while the remaining funds combined reported a decrease of \$57,126 for the same period.

The general fund is the primary operating fund of the School District. For fiscal year 2015, the general fund reported \$13.4 million in total receipts and \$12.7 million in total disbursements, which were virtually the same as those reported for the prior year. During fiscal year 2014, the general fund received a return of advances from other funds which increased the change in fund balance compared to the increase reported for the current year. Increases in income and property tax receipts managed to virtually offset the decrease in general intergovernmental funding reported in the general fund for fiscal year 2015. Disbursements within the general fund were very consistent with the amounts reported for fiscal year 2014. The ending unassigned fund balance of the general fund represented 51.4 percent of the total disbursements (including transfers out) reported for the fund in fiscal year 2015.

The increase in fund balance reported for the bond retirement fund resulted for the refunding transaction executed during fiscal year 2015. The increase reported for the fund balance of the permanent improvement fund for the year resulted from an increase in property and income tax receipts as well as a decrease in capital related disbursements recorded during the period. As fiscal year 2014 was the first year the School District operated under the new single campus facility, there were additional capital related costs for projects in the prior year which did not occur again during fiscal year 2015. While there was little change in the classroom facilities fund during the current year, in May 2014, the School District and OSF Commission completed closeout procedures which repayments of state funding should occur as total construction costs were under the projected costs for the building. As a result, the School District anticipates remitting approximately \$1.9 million of the ending cash balance reported in the fund back to the State of Ohio once the certification of completion is executed for the project.

General Fund Budgeting Highlights

The School 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.

For the general fund, total budget basis revenue (including other financing sources) was \$13.3 million as compared to the original budget estimates of \$13.1 million. Total actual disbursements on the budget basis (cash outlays plus encumbrances) were \$13.1 million, or \$346,432 (2.6 percent) less than what was

originally budgeted. As the possible options for revenue growth for the School District is limited, management continues its efforts to control spending in all areas possible.

Debt Administration

At June 30, 2015, the School District had the following debt outstanding: four bond issues with a combined outstanding principal of \$16.3 million (\$356,955 due within one year), \$1.7 million outstanding in certificates of participation (\$45,000 due within one year), and a capital lease obligation with outstanding principal of \$16,183 (\$16,183 due within one year). Total principal payments made on all debt obligations during fiscal year 2015 were \$410,709, including the \$45,052 of principal payments on capital lease obligations which are reported as functional disbursements.

During 2015, the School District elected to advance refund \$4.2 million of outstanding school improvement general obligation bonds by issuing refunding bonds. The advance refunding was undertaken to reduce combined total debt service payments over the next 18 fiscal years by nearly \$360,000.

For more detailed disclosures regarding the School District's debt obligations the reader should refer to Note 9 to the basic financial statements.

Current Issues

With the completion of the school facilities construction project, the School District conducted a "project closeout" with the Ohio School Facilities Commission in May 2014. That process resulted in a preliminary conclusion that the School District would need to return nearly \$1.9 million of State funding previously received for the project as actual construction costs came in under those budgeted. It is anticipated this repayment will occur in fiscal year 2016 once the certification of completion is completed for the construction project.

The School District's general fund reported receipts exceeding disbursements for fiscal year 2015. The School District's most recent five-year forecast (May 2015) projects that starting with fiscal year 2017, that trend will reverse and cash disbursements will exceed receipts. However, pending the anticipated renewal of expiring tax levies, positive ending cash fund balances are projected through fiscal year 2019. The manner in which the State of Ohio provides funding for school districts across the State create significant fluctuations in state funding makes forecasting financial condition difficult, at best, and could have unexpected negative impacts on future budgets. Management will continue to monitor economic influences and review staffing and other expenditures as part of its commitment to financial stability for the future despite the significant financial challenges which could occur.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Kay Altenburger, Treasurer, Milton-Union Exempted Village School District, 7610 Milton-Potsdam Road, West Milton, OH 45383 or call (937) 884-7910.

Milton-Union Exempted Village School District
 Miami County, Ohio
 Statement of Net Position - Cash Basis
 June 30, 2015

	Governmental Activities
Cash Assets	
Equity in pooled cash, cash equivalents, and investments	\$ 14,765,180
	\$ 14,765,180
 Net Cash Position:	
Restricted for:	
Capital projects	\$ 4,680,378
Debt service	2,506,025
Facilities maintenance	456,389
Food service operations	149,561
Education grants	31,735
Student activities	5,292
Unrestricted	6,935,800
Total Net Cash Position	\$ 14,765,180

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2015

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Expenditure)</u> <u>Receipt and</u> <u>Changes in</u> <u>Net Cash Position</u> <u>Governmental</u> <u>Activities</u>
		<u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 6,645,971	\$ 1,051,545	\$ 152,290	\$ (5,442,136)
Special	1,786,818	73,001	523,396	(1,190,421)
Vocational	81,249	-	6,232	(75,017)
Student intervention services	17,221	-	-	(17,221)
Other	323,744	-	-	(323,744)
Support Services:				
Pupils	835,956	-	-	(835,956)
Instructional staff	694,457	-	372,159	(322,298)
Board of education	72,544	-	-	(72,544)
Administration	1,104,771	-	-	(1,104,771)
Fiscal	482,218	-	-	(482,218)
Business	16,009	-	-	(16,009)
Operation and maintenance of plant	996,117	2,364	-	(993,753)
Pupil transportation	652,220	-	-	(652,220)
Central	166,125	-	5,400	(160,725)
Operation of non-instructional services	973,969	203,701	822,492	52,224
Extracurricular activities	567,866	188,440	-	(379,426)
Capital Outlay	122,579	-	-	(122,579)
Debt Service:				
Principal	365,657	-	-	(365,657)
Interest	1,269,430	-	-	(1,269,430)
Issuance costs	100,807	-	-	(100,807)
Payment to escrow agent	4,484,730	-	-	(4,484,730)
Total Governmental Activities	<u>\$ 21,760,458</u>	<u>\$ 1,519,051</u>	<u>\$ 1,881,969</u>	<u>(18,359,438)</u>
General Cash Receipts				
Property Taxes Levied for:				
General purposes				5,015,279
Capital projects				340,994
Income Taxes Levied for:				
General purposes				175,988
Capital projects				1,931,516
Facility maintenance				92,350
Grants and entitlements not restricted to specific purposes				6,923,259
Interest				102,121
Miscellaneous				129,925
Refunding bonds issued				4,171,902
Premium on refunding bonds issued				<u>413,635</u>
Total General Receipts				<u>19,296,969</u>
Change in Net Cash Position				937,531
Net Cash Position Beginning of Year				<u>13,827,649</u>
Net Cash Position End of Year				<u>\$ 14,765,180</u>

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2015

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets:						
Equity in pooled cash, cash equivalents and investments	<u>\$ 6,935,800</u>	<u>\$ 2,506,025</u>	<u>\$ 264,004</u>	<u>\$ 3,930,796</u>	<u>\$ 1,128,555</u>	<u>\$ 14,765,180</u>
Total Assets	<u>\$ 6,935,800</u>	<u>\$ 2,506,025</u>	<u>\$ 264,004</u>	<u>\$ 3,930,796</u>	<u>\$ 1,128,555</u>	<u>\$ 14,765,180</u>
Fund Balances:						
Restricted for:						
Capital projects	\$ -	\$ -	\$ 264,004	\$ 3,930,796	\$ 485,578	\$ 4,680,378
Debt service	-	2,506,025	-	-	-	2,506,025
Facilities maintenance	-	-	-	-	456,389	456,389
Food service operations	-	-	-	-	149,561	149,561
Student activities	-	-	-	-	5,292	5,292
Federal education grants	-	-	-	-	1,314	1,314
Other education grants	-	-	-	-	30,421	30,421
Committed for:						
Employee termination benefits	44,272	-	-	-	-	44,272
Assigned for:						
School activities	35,722	-	-	-	-	35,722
Future expenditures	175,236	-	-	-	-	175,236
Unassigned	<u>6,680,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,680,570</u>
Total Fund Balances	<u>\$ 6,935,800</u>	<u>\$ 2,506,025</u>	<u>\$ 264,004</u>	<u>\$ 3,930,796</u>	<u>\$ 1,128,555</u>	<u>\$ 14,765,180</u>

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement Fund	Permanent Improvement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:						
Property and other local taxes	\$ 5,015,279	\$ -	\$ 340,994	\$ -	\$ -	\$ 5,356,273
Income tax	175,988	-	1,931,516	-	92,350	2,199,854
Intergovernmental	6,822,184	31,627	75,680	-	1,802,416	8,731,907
Interest	80,687	6,652	1,477	13,325	(20)	102,121
Tuition and fees	1,124,546	-	-	-	-	1,124,546
Extracurricular activities	79,386	-	-	-	108,165	187,551
Customer sales and services	-	-	-	-	203,701	203,701
Gifts and donations	-	-	-	-	72,760	72,760
Miscellaneous	108,190	-	-	-	10,984	119,174
Total Receipts	13,406,260	38,279	2,349,667	13,325	2,290,356	18,097,887
Cash Disbursements						
Current:						
Instruction:						
Regular	6,527,244	-	-	-	118,727	6,645,971
Special	1,261,167	-	-	-	525,651	1,786,818
Vocational	81,249	-	-	-	-	81,249
Student intervention services	15,559	-	-	-	1,662	17,221
Other	323,744	-	-	-	-	323,744
Support Services:						
Pupils	827,142	-	-	-	8,814	835,956
Instructional staff	313,149	-	-	-	381,308	694,457
Board of education	72,544	-	-	-	-	72,544
Administration	1,104,771	-	-	-	-	1,104,771
Fiscal	439,779	4,949	36,746	-	744	482,218
Business	16,009	-	-	-	-	16,009
Operation and maintenance of plant	880,289	-	16,905	-	98,923	996,117
Pupil transportation	652,220	-	-	-	-	652,220
Central	109,892	-	51,518	-	4,715	166,125
Operation of non-instructional services	7,605	-	-	-	966,364	973,969
Extracurricular activities	112,696	-	75,275	-	379,895	567,866
Capital Outlay	-	-	1,900	-	120,679	122,579
Debt Service:						
Principal	-	365,657	-	-	-	365,657
Interest	-	1,269,430	-	-	-	1,269,430
Issuance costs	-	100,807	-	-	-	100,807
Total Disbursements	12,745,059	1,740,843	182,344	-	2,607,482	17,275,728
Excess of Receipts Over(Under)						
Disbursements	661,201	(1,702,564)	2,167,323	13,325	(317,126)	822,159
Other Financing Sources (Uses):						
Transfers in	-	1,994,319	-	-	260,000	2,254,319
Refunding bonds issued	-	4,171,902	-	-	-	4,171,902
Premium on refunding bonds issued	-	413,635	-	-	-	413,635
Proceeds from sale of capital assets	-	-	14,565	-	-	14,565
Payments to refunding escrow agent	-	(4,484,730)	-	-	-	(4,484,730)
Transfers out	(260,000)	-	(1,994,319)	-	-	(2,254,319)
Total Other Financing Sources (Uses)	(260,000)	2,095,126	(1,979,754)	-	260,000	115,372
Net Change in Fund Balance	401,201	392,562	187,569	13,325	(57,126)	937,531
Fund Balance, Beginning of Year	6,534,599	2,113,463	76,435	3,917,471	1,185,681	13,827,649
Fund Balance, End of Year	\$ 6,935,800	\$ 2,506,025	\$ 264,004	\$ 3,930,796	\$ 1,128,555	\$ 14,765,180

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balance (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts:				
Property and other local taxes	\$ 4,954,561	\$ 5,015,279	\$ 5,015,279	\$ -
Income tax	169,857	175,988	175,988	-
Intergovernmental	6,966,177	6,822,184	6,822,184	-
Interest	64,000	80,687	80,687	-
Tuition and fees	933,700	1,061,925	1,061,925	-
Miscellaneous	14,300	9,444	9,444	-
Total Receipts	13,102,595	13,165,507	13,165,507	-
Cash Disbursements				
Current:				
Instruction:				
Regular	6,571,468	6,615,358	6,482,925	132,433
Special	1,178,436	1,264,829	1,261,110	3,719
Vocational	81,116	85,920	81,249	4,671
Student intervention services	-	18,088	15,559	2,529
Other	379,020	381,366	323,744	57,622
Support Services:				
Pupils	895,251	892,430	829,215	63,215
Instructional staff	221,832	331,181	331,073	108
Board of education	69,456	136,381	78,268	58,113
Administration	1,151,159	1,155,519	1,108,980	46,539
Fiscal	410,240	478,260	440,883	37,377
Business	15,668	16,452	16,009	443
Operation and maintenance of plant	902,967	926,966	915,577	11,389
Pupil transportation	689,897	691,886	677,259	14,627
Central	210,153	123,382	113,323	10,059
Extracurricular activities	31,606	36,979	36,834	145
Total Disbursements	12,808,269	13,154,997	12,712,008	442,989
Excess of Receipts Over(Under)				
Disbursements	294,326	10,510	453,499	442,989
Other Financing Sources (Uses):				
Refund of prior year expenditures	4,700	102,831	102,831	-
Transfers out	(572,501)	(340,000)	(340,000)	-
Advances out	(17,670)	(20,000)	-	20,000
Total Other Financing Sources (Uses)	(585,471)	(257,169)	(237,169)	20,000
Net Change in Fund Balance	(291,145)	(246,659)	216,330	462,989
Fund Balance at Beginning of Year	6,243,228	6,243,228	6,243,228	-
Prior Year Encumbrances Appropriated	198,271	198,271	198,271	-
Fund Balance at End of Year	\$ 6,150,354	\$ 6,194,840	\$ 6,657,829	\$ 462,989

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
 Miami County, Ohio
 Statement of Fiduciary Net Position - Cash Basis
 June 30, 2015

	Private Purpose Trust Fund	Agency Fund
Assets		
Equity in pooled cash, cash equivalents, and investments	\$ 26,038	\$ 25,339
Total Assets	\$ 26,038	\$ 25,339
Net Cash Position	\$ 26,038	\$ 25,339

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
 Miami County, Ohio
 Statement of Changes in Fiduciary Net Position - Cash Basis
 Private Purpose Trust Fund
 For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust Fund
Additions:	
Gifts and contributions	\$ <u>4,000</u>
Total Additions	<u>4,000</u>
Deductions:	
Payments in accordance with trust agreements	<u>16,173</u>
Total Deductions	<u>16,173</u>
Change in Net Position	(12,173)
Net Position, Beginning of Year	<u>38,211</u>
Net Position, End of Year	<u>\$ 26,038</u>

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Milton-Union Exempted Village School District (the School 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 School District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) requirements that the financial statements include all organizations, activities, functions and component units for which the School District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the School District's ability to impose its will over the organization will provide a financial benefit to, or impose a financial burden on the School District. There were no potential component units that met the applicable criteria to be included in the School District's reporting entity. Based on the foregoing, the reporting entity of the School District includes the following services: instruction (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant GASB pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the School District's accounting policies.

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational needs of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Bond Retirement Fund – This fund accounts for and reports the accumulation of restricted resources and the payment of long-term obligations, specifically the general obligation bonds and other obligations issued in conjunction with the School District's school facilities project.

Permanent Improvement Fund – This fund is to account for and report the accumulation of resources received through local property and income taxes received and the payments made for significant capital purchases made by the School District.

Classroom Facilities Fund – This fund is used to account for state grant monies provided by the Ohio School Facilities Commission as well as bond proceeds to be used for the construction of new school facilities.

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

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust that accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal cash net position) and do not involve measurement of results of operations. The School District's agency fund accounts for numerous student managed activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are reported when cash is paid rather than when a liability is incurred.

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash, cash equivalents, and investments". All investments of the cash management pool are considered to be cash and cash equivalents for financial reporting purposes.

During fiscal year 2015, investments included nonnegotiable certificates of deposits, negotiable certificates of deposit, federal agency securities, money market and mutual funds and STAR Ohio. All investments, with the exception of STAR Ohio, are reported at cost. 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 share price, which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2015 was \$80,687, which included \$7,091 assigned from other School District funds.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the legal level of control selected by the Board. The legal level of control has been established by the Board at the function level for the General Fund and at the fund level for all other funds. Budgetary allocations at levels below the legal level of control are made by the Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate requested by the School District prior to fiscal year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process (continued)

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

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of cash, the budgetary basis as provided by law is based upon accounting for certain transactions of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance (Budgetary Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The adjustments necessary to reconcile cash and budget basis statements for the General Fund are as follows:

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
Cash Basis	\$ 401,201
Encumbrances	(172,045)
Excess(deficit) of Funds Combined with General Fund for Reporting Purposes	(12,826)
Budget Basis	\$ 216,330

Capital Assets

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

Compensated Absences

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

Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made.

Pensions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School District's policy is to first apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The School District did not have any fund balance classified as nonspendable at fiscal year-end.

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

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

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

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

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

Interfund Activity

Transfers and advances within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity (continued)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. If there is an intention for repayment, the flows of cash or goods between funds are reported as interfund advances. Both interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statement.

NOTE 2 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statement on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Inactive Monies – These monies have been identified by the Board of Education as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no 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 Monies – These monies are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was \$854,235 and the bank balance was \$1,056,394. Federal depository insurance covered \$500,000 of the bank balance at year end with the remaining \$556,394 being secured by collateral pools described above.

Investments

The School District's investments at June 30, 2015 were as follows:

	Carrying Value	% of Portfolio	Investment Maturities		
			> 1 year	1 to 3 yrs	3 to 5 yrs
STAR Ohio	\$ 3,542,607	25.4%	\$ 3,542,607	\$ -	\$ -
Mutual Funds	2,300,157	16.5%	2,300,157	-	-
Negotiable CDs	5,812,697	41.6%	1,527,697	2,497,000	1,788,000
Federal Agency Bonds	2,306,861	16.5%	-	300,000	2,006,861
Total	\$ 13,962,322	100.0%	\$ 7,370,461	\$ 2,797,000	\$ 3,794,861

The School District's investment policy authorizes the Treasurer to make investments of available monies from the funds of the School District in securities authorized by State law.

Interest Rate Risk – The Ohio Revised Code and School District policy require that investments mature within five (5) years of settlement date, unless they are matched to a specific obligation or debt of the School District.

Concentration of Credit Risk – The School District's policy limits investment in commercial paper and bankers' acceptances to 25 percent of the total investment portfolio. The percentage of each investment to the School District's total portfolio is presented in the table above.

Custodial Credit Risk – The negotiable certificates of deposit are insured by the FDIC. The Federal Agency bonds (FHLB and FNMA) and mutual funds are rated AA+ by Moody's and Standard & Poor's. STAR Ohio is rated by AAAM by Standard & Poor's. The School District's has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property located in the School District. Real property taxes collected during 2015 were levied after April 1, 2014 on assessed values as of January 1, 2014, the lien date.

Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2011. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable on June 20.

Public utility tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public tangible personal property is currently assessed at 100 percent of its true value. Public utility personal property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the School District. The County Auditor periodically remits to the School District its portion of the taxes collected. The tax rate per \$1,000 of assessed valuation was \$66.80 and the assessed values upon which the fiscal year 2015 receipts were based are as follows:

	<u>2015 First Half Collections</u>	<u>2014 Second Half Collections</u>
Agricultural/residential and other real estate property	\$ 169,646,680	\$ 169,519,770
Public utility personal property	<u>9,476,670</u>	<u>9,223,240</u>
Total	<u>\$ 179,123,350</u>	<u>\$ 178,743,010</u>

NOTE 5 - INCOME TAXES

The School District levies a 1.25 percent, dual purpose, earned income tax levy. Of the 1.25 percent, 1.15 percent is used to provide the local portion of a school facilities project that has replace all existing school facilities within the School District with a new kindergarten through grade twelve building on one site; including debt retirement and the required maintenance fund. The remaining 0.10 percent of the total levy amount is used for general operating purposes.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State Department of Taxation. Taxpayers are required to file an annual return. The State Department of Taxation makes quarterly distributions to the school districts after withholding amounts for administrative fees and estimated refunds. Income tax receipts are posted to the general, capital improvement and school facilities maintenance funds.

NOTE 6 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage amounts from those of the prior fiscal year. During fiscal year 2015, the School District contracted with Argonaut Insurance Company for insurance coverage, as follows:

NOTE 6 - RISK MANAGEMENT (continued)

<u>Coverage</u>	<u>Limits</u>	<u>Deductible</u>
General, Educators Legal, and Employment Practices Liability	\$1 million per/\$3 million annually	\$2,500
Automobile Liability	\$1 million combined limit	\$500
Commercial Property	\$44.3 million blanket limit	\$1,000

For fiscal year 2015, the School District participated in the CompManagement Group Retrospective Rating Plan. This plan is a performance-based incentive program designed to recover a portion of premium for employers that reduce injury rate and lower associated claims costs. It is similar to group rating, as employers are evaluated as if the group was one big organization. However, with this program, organizations continue to pay their own individual premium but have the opportunity to receive retrospective premium adjustments (refunds or assessments based on the performance of the group) at the end of each of the three evaluation periods (12, 24 and 36 months after the end of the policy year) performed by the Ohio Bureau of Workers' Compensation. Group assessments are limited to a premium cap, currently set at \$4 million for the entire group. For fiscal year 2015, the School District has not been assessed any additional premium through its participation in the Plan.

The School District provides medical (United Health Care), dental (Delta Dental) and life insurance (Sun Life) benefits to its employees through participation in the Southwestern Ohio Educational Council's Medical Benefit Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover administration costs of the program.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective.

These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

The net pension liability represents the School 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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liability (continued)

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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 on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS) (continued)

The School District's contractually required contribution to SERS was \$244,721 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS) (continued)

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 School 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 School District’s contractually required contribution to STRS was \$842,928 for fiscal year 2015.

Net Pension Liability

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 2,597,327	\$ 14,146,943	\$ 16,744,270
Proportion of the Net Pension Liability	0.0513210%	0.05816172%	

Actuarial Assumptions - SERS

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

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (continued)

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:

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 3,705,613	\$ 2,597,327	\$ 1,665,162

Actuarial Assumptions - STRS

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

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

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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	1.00	3.00
Total	100.00 %	

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 20,252,891	\$ 14,146,943	\$ 8,983,365

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2015, two (2) members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 8 – POSTEMPLOYMENT BENEFITS

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

NOTE 8 – POSTEMPLOYMENT BENEFITS (continued)

School Employee Retirement System (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 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 amount; for 2015, this amount was estimated \$22,150 for the School District.

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.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$36,078, \$24,656, and \$26,674 respectively; which were equal to the required contributions for each year.

State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocated any of the employer contributions to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$59,830, and \$63,351 respectively; which were equal to the required contributions for each year.

Milton-Union Exempted Village School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - LONG-TERM OBLIGATIONS

The activity of the School Districts long-term obligations during fiscal year 2015 was as follows:

	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015	Due within One Year
Governmental Activities:					
2009 SI Revenue Bonds:					
Current Interest Serial 3.0% - 5.0%	\$ 8,885,000	\$ -	\$ -	\$ 8,885,000	\$ -
Current Interest Term 5.0%	2,015,000	-	-	2,015,000	-
Capital Appreciation 4.1% - 5.0%	632,982	-	184,456	448,526	149,508
2010 SI Energy Conservation Bonds:					
Current Interest Term 1.2% - 4.0%	730,000	-	65,000	665,000	65,000
Capital Appreciation	12,776	-	-	12,776	-
2009 SI General Obligation Bonds:					
Current Interest Serial 2.0% - 4.0%	885,000	-	885,000	-	-
Current Interest Term 4.0% - 4.5%	3,290,000	-	3,290,000	-	-
Capital Appreciation 3.8% - 4.0%	174,997	-	71,201	103,796	57,447
2015 GO Refunding Bonds:					
Current Interest Serial 1.0% - 4.0%	-	3,450,000	-	3,450,000	85,000
Current Interest Term 4.0%	-	680,000	-	680,000	-
Capital Appreciation 1.3%	-	41,902	-	41,902	-
2010 Certificates of Participation					
School Improvement 1.8% - 6.375%	1,710,000	-	45,000	1,665,000	45,000
Capital Leases Payable	61,235	-	45,052	16,183	16,183
Total General Long-Term Obligations	\$ 18,396,990	\$ 4,171,902	\$ 4,585,709	\$ 17,983,183	\$ 418,138

2009 School Improvement Revenue Bonds:

On May 20, 2009 the School District issued \$13,702,982 in revenue bonds for construction of school facilities. The bonds include serial, term, and capital appreciation bonds, in the original amount of \$11,055,000, \$2,015,000, and \$632,982, respectively. The bonds were issued for a twenty-two year period with final maturity on December 1, 2032. The bonds are being retired from the Bond Retirement debt service fund.

The serial and term bonds maturing after December 1, 2020, are subject to redemption at the option of the School District, either in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the School District on or after December 1, 2019, which is 100 percent of the face value of the current interest bonds.

The capital appreciation bonds will mature in fiscal years 2015 to 2019 and have a total maturity amount of \$2,925,000.

The School District has pledged a portion of the proceeds from the one and one-quarter percent (1.25%) income tax to repay the bonds. The bonds are payable solely from the 1.25 percent income tax levied by the School District on the taxable income of individuals as defined in Section 5748.01(E)(1)(b) of the Ohio Revised Code which went into effect on January 1, 2009 and is for a continuing period of time. From this income tax, 0.1 percent is collected for current expenses and 1.15 percent is dedicated solely to provide funds for permanent improvements; from which bond service charges will be made. Income tax dedicated to permanent improvements is projected to produce approximately 170 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$19,266,186, payable through December 1, 2032. For the current year, the School District paid \$1,086,025 in debt service; \$184,456 in principal and \$901,569 in interest (including accreted interest on capital appreciation bonds). Income tax receipts related to permanent improvements that were received in fiscal year 2015 totaled \$2,023,866.

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

2009 School Improvement General Obligation Bonds:

On November 3, 2009 the School District issued \$4,999,997 in general obligation bonds for construction of school facilities. The bonds include serial, term, and capital appreciation bonds, in the original amount of \$1,535,000, \$3,290,000, and \$174,997, respectively. The bonds were issued for a twenty-one year period with final maturity on December 1, 2031. The bonds are being retired from the Bond Retirement debt service fund.

The capital appreciation bonds will mature in fiscal years 2015 to 2017 and have a total maturity amount of \$630,000.

During fiscal year 2015, the School District advanced refunded \$4,175,000 of outstanding 2009 School Improvement General Obligations Bonds (\$885,000 of serial and \$3,290,000 of term bonds) by issuing \$4,171,902 of 2015 School Improvement General Obligation Refunding Bonds. The issuance proceeds, along with the associated premiums, were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the School District's long-term obligations presented in the above table. This advance refunding was undertaken to reduced combined total debt service payments over the next 18 fiscal years by \$358,953 and resulted in a net present value economic gain of approximately \$295,000. The \$4,175,000 in 2009 School Improvement General Obligation Bonds which were advanced refunded in fiscal year 2015 will remain outstanding until December 1, 2016.

2010 School Improvement Energy Conservation Bonds:

On January 13, 2010 the School District issued \$997,776 in energy conservation bonds for construction of school facilities. The bonds include term and capital appreciation bonds, in the original amount of \$985,000 and \$12,776, respectively. The bonds were issued for a fourteen year period with final maturity on December 1, 2024. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2019 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the School District and by lot within a maturity, at the option of the School District on or after June 1, 2017 at the redemption price of 100 percent.

The capital appreciation bonds will mature in fiscal year 2017 and have a total maturity amount of \$65,000.

2015 General Obligation School Improvement Refunding Bonds:

On March 11, 2015 the School District issued \$4,171,902 in general obligation school improvement refunding bonds to provide for the advance refunding of a portion of the 2009 general obligation school improvement bonds (see above). The refunding bonds include serial, term and capital appreciation bonds, in the original amount of \$3,450,000, \$680,000 and \$41,902, respectively. The bonds were issued for a seventeen year period with final maturity on December 1, 2031. The bonds are being retired from the Bond Retirement debt service fund.

The current interest term bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2030 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption. The remaining \$345,000 of the current interest term bonds are due for payment on December 31, 2031 at the stated maturity.

The capital appreciation bonds will mature in fiscal year 2017 and have a total maturity amount of \$245,000.

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the School District's outstanding bonds at June 30, 2015 are shown in the table below.

Fiscal Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 356,955	\$ 1,229,999	\$ 1,586,954
2017	225,308	1,320,264	1,545,572
2018	205,124	1,329,185	1,534,309
2019	394,613	1,140,085	1,534,698
2020	905,000	616,539	1,521,539
2021-2025	4,995,000	2,575,460	7,570,460
2026-2030	5,590,000	1,511,743	7,101,743
2031-2033	3,630,000	253,401	3,883,401
Total	<u>\$ 16,302,000</u>	<u>\$ 9,976,676</u>	<u>\$ 26,278,676</u>

2010 School Improvement Certificates of Participation:

On March 3, 2010 the School District issued \$1,885,000 in taxable certificates of participation for construction of school facilities. This issue contained a portion of the taxable certificates under the Build America Bond program. These bonds were issued for a twenty-seven year period with final maturity on December 1, 2037. The bonds are being retired from the Bond Retirement debt service fund.

The American Recovery and Reinvestment Act of 2009 allowed entities to issue taxable obligations, referred to as "Build America Bonds", to finance capital expenditures for which they could issue tax-exempt obligations, and to elect to receive payments from the federal government equal to 35 percent of the corresponding interest payable on such taxable obligations. The School District designated \$35,000 of the base rent underlying the certificates of participation as taxable obligations (Taxable Certificates) and the remaining \$1,850,000 as taxable obligations under the Build America Bond program (Series 2010 BABs).

Each Certificate represents a proportionate interest in the right to receive base rent payments by the School District under the lease agreement. By the assignment, the Lessor has assigned its right to receive base rent payments to the Trustee for the benefit of the owners of the Certificates. Renewals of the lease and the obligations of the School District to make base rent payments after June 30, 2010 are subject to and dependent upon lawful appropriations being made for the that purpose and certification of the sufficiency of those appropriations. The Certificates, the lease and the obligation to make base rent payments do not represent or constitute a debt of, or a pledge of the faith and credit of, the School District. Neither the general credit nor the taxing power of the School District is pledged to payment of the principal of or premium, if any, or interest on the Certificates.

Principal and interest requirements to retire the District's outstanding certificates of participation at June 30, 2015 are shown in the table below.

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

2010 School Improvement Certificates of Participation (continued)

Fiscal Year Ended June 30,	Taxable Certificates			Effective Debt Service	
	Principal	Interest	Total	Federal Subsidy	Adjusted Total
2016	\$ 45,000	\$ 95,678	\$ 140,678	\$ (33,487)	\$ 107,191
2017	45,000	93,877	138,877	(32,857)	106,020
2018	45,000	91,898	136,898	(32,164)	104,734
2019	50,000	89,617	139,617	(31,366)	108,251
2020	50,000	87,218	137,218	(30,527)	106,691
2021-2025	275,000	395,835	670,835	(138,541)	532,294
2026-2030	330,000	312,352	642,352	(109,323)	533,029
2031-2035	400,000	200,991	600,991	(70,347)	530,644
2036-2038	425,000	50,203	475,203	(17,572)	457,631
Total	<u>\$ 1,665,000</u>	<u>\$ 1,417,669</u>	<u>\$ 3,082,669</u>	<u>\$ (496,184)</u>	<u>\$ 2,586,485</u>

The Series 2010 BABs maturing on December 1, 2020 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the School District and by lot within a maturity, at the option of the School District on or after June 1, 2020 at par, which is 100 percent of the face value of the Series 2010 BABs.

In addition, the Series 2010 BABs are subject to extraordinary optional redemption by the School District prior to maturity, in whole at any time or in part on any interest payment date, at a redemption price of 100 percent (expressed as a percentage of the principal amount), plus interest accrued to the date fixed for redemption in the event that the Build America Payments from the federal government cease or are in an amount less than 35 percent of the corresponding interest payable on the Series 2010 BABs.

Capital Leases - Lessee Disclosure

In a prior fiscal year, the School District entered into a lease agreement to finance the purchase of several copiers used throughout the School District. Equipment acquired in prior school years was also financed through lease agreements. These lease agreements meet the criteria of capital leases where the lease transfers the benefits and risk of ownership to the lessee. The value of the equipment acquired through capital leases outstanding at June 30, 2015 totaled \$189,088 and principal payments made during the year totaled \$40,252. Principal and interest payments for these capital leases are made from the general fund and district managed student activity special revenue fund and reported within the appropriate function which utilizes the assets.

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

	Fiscal Year Ended June 30, 2016	
Total		\$ 16,564
Less: Amount Representing Interest		16,564 (381)
Present Value of Net Minimum Lease Payments		<u>\$ 16,183</u>

NOTE 10 – RELATED ORGANIZATION

The Milton-Union Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by the Board of Trustees appointed by the Milton-Union Exempted Village School District. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from Milton-Union Public Library, Jerry Kohl, Clerk/Treasurer, at 560 South Main Street, West Milton, Ohio 45383.

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the School District's general fund. During fiscal year 2015, the School District paid \$1,830,664 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at-large non-public service representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the School District's general fund. No payments were made to SOITA by the School District in fiscal year 2015. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS (continued)

Miami Valley Career Technology Center

The Miami Valley Career Technology Center (MVCTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one is appointed from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. No payments were made to MVCTC by the School District in fiscal year 2015. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

Metropolitan Dayton Educational Computer Association

The School District is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The Governing Board consists of seven superintendents of member school districts, with six of the superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$19,555 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive Suite 1C, Dayton, Ohio 45405.

NOTE 12 - CONTINGENCIES

Grants

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

Litigation

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

Full-Time Equivalency Review

The Ohio Department of Education began conducting reviews of enrollment and full-time equivalency (FTE) calculations made by school districts within the State starting for fiscal year 2015. These reviews are being conducted to ensure the school districts are reporting accurate student enrollment data to the State, which is used in determining state funding allocations. The conclusions of such reviews could result in adjustments to state funding allocations for the fiscal year being reviewed. The fiscal year 2015 reviews have not been completed as of the date of these financial statements, however, management does not anticipate significant adjustments to its state funding allocation to result when reviews are completed.

NOTE 13 – INTERFUND ACTIVITY

Transfers

The following is a summary of the School District’s transfers in and out for all funds for fiscal year 2015:

Fund	Transfer In	Transfer Out
General Fund	\$ -	\$ 260,000
Bond Retirement Fund	1,994,319	-
Permanent Improvement Fund	-	1,994,319
Other Governmental Funds	260,000	-
Total All Funds	\$ 2,254,319	\$ 2,254,319

Transfers out of the permanent improvement fund consist of income tax receipts required to be paid into this fund are then allocated to the debt service fund, for repayment of outstanding debt issued to finance construction of school facilities.

NOTE 14 - COMMITMENTS

Encumbrances

At year end the School District had the following amounts encumbered for future purchase obligations:

Fund	Year-End Encumbrances
General Fund	\$ 175,236
Permanent Improvement Fund	118,835
Non-major Governmental Funds	1,275,847
	\$ 1,569,918

Construction Project Close-out

In May 2014, the Ohio Facilities Construction Commission and the School District conducted a project closeout associated with the school facilities project completed during fiscal year 2014. The preliminary results of the closeout procedures indicated the School District would need to return \$1,880,956 of State funding previously received for the project as actual construction costs were under the budgeted costs. Once a certification of completion is executed for the project, the School District will remit payment to the State of Ohio.

NOTE 15 – CAPITAL IMPROVEMENT SET-ASIDE

The School District is required by State statute 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 reserve balance as of June 30, 2014	\$ -
Current year set-aside requirement	263,423
Contributions in excess of the current fiscal year set-aside requirements	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(2,023,866)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (1,760,443)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u><u>\$ -</u></u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2015, the School District implemented GASB Statements No. 68, *Accounting and Financial Reporting for Pensions*; No. 69, *Government Combinations and Disposals of Government Operations*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

GASB Statement No. 68 addresses the accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trust agreements. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. Note disclosures and required supplementary information requirements about pension are also addressed. GASB Statement No. 71 addresses how pension contributions, if any, made subsequent to the measurer date of the beginning net pension liability should be accounted for during the implementation of GASB Statement No. 68. Due to accounting basis used to prepare these financial statements, changes to the financial statements were limited to the note disclosures.

GASB Statement No. 69 establishes reporting standards for related to government combinations and disposals of government operations, including mergers, acquisitions and transfer of operations. The implementation of this Statement did not impact the School District's beginning net cash position for fiscal year 2015.

Milton-Union Exempted Village School District
Miami County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Grant Year	Receipts	Disbursements
U.S. Department of Agriculture:				
<i>Passed through Ohio Department of Education:</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2015	\$ 63,127	\$ 63,127
Cash Assistance:				
National School Breakfast Program	10.553	2015	47,408	47,408
National School Lunch Program	10.555	2015	<u>248,909</u>	<u>248,909</u>
Total Nutrition Cluster			<u>359,444</u>	<u>359,444</u>
Total US Department of Agriculture			<u>359,444</u>	<u>359,444</u>
U.S. Department of Education:				
<i>Passed through Ohio Department of Education:</i>				
Title I, Part A Grants to Local Education Agencies	84.010	2015	235,656	238,829
		2014	<u>-</u>	<u>9,859</u>
Total Title I, Part A Grants to Local Education Agencies			235,656	248,688
Special Education Cluster:				
Special Education Grants to States	84.027	2015	285,009	285,394
		2014	<u>-</u>	<u>2,553</u>
Total Special Education Grants to States			285,009	287,947
<i>Passed through Miami County ESC:</i>				
Special Education Preschool Grant	84.173	2014	<u>3,494</u>	<u>3,494</u>
Total Special Education Cluster			288,503	291,441
<i>Passed through Ohio Department of Education:</i>				
Improving Teacher Quality State Grants	84.367	2015	57,553	57,705
ARRA - Race-to-the-Top Incentive Grants	84.395	2015	18,842	21,602
ARRA - Race-to-the-Top Mini Grants	84.395	2015	20,022	18,902
		2014	<u>5,412</u>	<u>-</u>
Total Race-to-the-Top Incentive Grants			<u>44,276</u>	<u>40,504</u>
Total U.S. Department of Education			<u>625,988</u>	<u>638,338</u>
Total Federal Assistance			<u>\$ 985,432</u>	<u>\$ 997,782</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Milton-Union Exempted Village School District
Miami County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

1. Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is a summary of the federal awards programs of the Milton-Union Exempted Village School District (the School District). This schedule has been prepared on the cash basis of accounting.

2. U.S. Department of Agriculture Programs:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2015 the School District had no significant food commodities in inventory.

3. Matching Requirements:

Certain federal programs require the School District to contribute non-federal funds (matching funds) to support federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule of Expenditures of Federal Awards.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Milton-Union Exempted Village School District
7610 Milton-Potsdam Rd.
West Milton, Ohio 45383

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District (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 December 21, 2015, wherein we noted the District prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control of financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

14 east main street, ste. 500
springfield, oh 45502

www.cshco.com
p. 937.399.2000
f. 937.399.5433

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we are required to report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 21, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Education
Milton-Union Exempted Village School District
7610 Milton-Potsdam Rd.
West Milton, Ohio 45383

Report on Compliance for Each Major Federal Program

We have audited the Milton-Union Exempted Village School District (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

14 east main street, ste. 500
springfield, oh 45502

www.cshco.com
p. 937.399.2000
f. 937.399.5433

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 21, 2015

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
CFDA# 84.027 – Special Education Cluster	
CFDA# 84.173 – Special Education Preschool Grants	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2015-001: Reporting Annual Financial Statements

Condition: The District's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

Criteria: Ohio Administrative Code Section 117-2-3(B) requires the District to prepare its annual financial report in accordance with GAAP.

Effect: Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report in accordance with GAAP.

Cause: Due to current economic issues, the District elected to prepare and submit its annual financial report on the cash basis of accounting as a means to realize savings in accounting and auditing fees on an annual basis. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Recommendation: We recommend the District further consider reporting its annual financial report in accordance with GAAP.

Management Response: The District is aware of the financial reporting requirements and the District's management believes that filing GAAP would cost an additional \$10,000 per year with no appreciable benefit to the District.

Section III – Federal Awards Findings and Questioned Costs

None noted

Finding 2014-001: Report Annual Financial Statements

The District elected not to report on the GAAP basis of accounting as required under the Ohio Administrative Code Section 117-2-3(B).

Status: Uncorrected – See current audit finding 2015-001



At Clark Schaefer Hackett, we believe there's a difference between providing accounting services and actually serving you. One is about numbers, the other is about relationships. We strive to create remarkable relationships The CSH Way: by building trust, offering guidance, delivering desired outcomes, and providing vision to help you achieve your goals.

cincinnati | cleveland | columbus | miami valley | northern kentucky | springfield | toledo

www.cshco.com

This page intentionally left blank.



Dave Yost • Auditor of State

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI 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
MARCH 17, 2016**