

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2016



Dave Yost • Auditor of State

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

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UNION COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marysville Exempted Village School District, Union County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marysville Exempted Village School District, Union County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2017

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

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

The management's discussion and analysis of Marysville Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position increased \$4,940,346. Net position of governmental activities increased \$4,867,279, which represents a 9.06 percent increase from 2015. Net position of business-type activities increased \$73,067 or 22.94 percent from 2015.
- General revenues accounted for \$61,176,203 in revenue or 88.05 percent of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$8,300,772 or 11.95 percent of total governmental activities revenues of \$69,476,975.
- The District had \$64,609,696 in expenses related to governmental activities; only \$8,300,772 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of \$61,176,203 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund, and the permanent improvement fund. The general fund had \$52,222,097 in revenues and \$45,450,695 in expenditures. The fund balance of the general fund increased from \$3,906,343 to \$10,677,745.
- The bond retirement fund had \$48,703,931 in revenues and other financing sources and \$47,545,258 in expenditures and other financing uses. The fund balance of the bond retirement fund increased from \$545,470 to \$1,704,143.
- The permanent improvement fund had \$4,502,882 in revenues and \$5,181,479 in expenditures. The fund balance of the permanent improvement fund decreased from \$6,486,615 to \$5,808,018.

Using this Financial Report

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has three major governmental funds: the general fund, bond retirement fund, and the permanent improvement fund.

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

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

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

The District's statement of net position and statement of activities can be found on pages 15 - 16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 17 - 24 of this report.

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

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

Proprietary Funds

The proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The proprietary fund financial statements can be found on pages 25 - 27 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 28 and 29. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 30 - 68 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 69 - 75 of this report.

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

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

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2016 and 2015.

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>						
Current and other assets	\$ 55,302,228	\$ 48,521,120	\$ 324,476	\$ 248,882	\$ 55,626,704	\$ 48,770,002
Capital assets, net	86,680,485	93,252,128	-	-	86,680,485	93,252,128
Total assets	<u>141,982,713</u>	<u>141,773,248</u>	<u>324,476</u>	<u>248,882</u>	<u>142,307,189</u>	<u>142,022,130</u>
<u>Deferred outflows</u>						
Unamortized deferred charges	1,975,868	3,331,902	-	-	1,975,868	3,331,902
Pension	7,669,481	4,671,154	141,157	43,682	7,810,638	4,714,836
Total deferred outflows	<u>9,645,349</u>	<u>8,003,056</u>	<u>141,157</u>	<u>43,682</u>	<u>9,786,506</u>	<u>8,046,738</u>
<u>Liabilities</u>						
Current liabilities	6,076,842	6,311,142	18,970	25,701	6,095,812	6,336,843
Long-term liabilities						
Due within one year	2,467,463	3,280,539	5,248	8,320	2,472,711	3,288,859
Due in more than one year						
Net pension liability	73,147,627	63,915,142	658,493	491,406	73,806,120	64,406,548
Other amounts	84,623,930	89,056,469	6,600	5,943	84,630,530	89,062,412
Total liabilities	<u>166,315,862</u>	<u>162,563,292</u>	<u>689,311</u>	<u>531,370</u>	<u>167,005,173</u>	<u>163,094,662</u>
<u>Deferred inflows</u>						
Property taxes and PILOT	29,456,065	29,354,756	-	-	29,456,065	29,354,756
Pension	4,686,006	11,555,406	21,818	79,757	4,707,824	11,635,163
Total deferred inflows	<u>34,142,071</u>	<u>40,910,162</u>	<u>21,818</u>	<u>79,757</u>	<u>34,163,889</u>	<u>40,989,919</u>
<u>Net position</u>						
Net investment in capital assets	10,158,030	14,115,626	-	-	10,158,030	14,115,626
Restricted	6,584,557	7,296,744	-	-	6,584,557	7,296,744
Unrestricted (deficit)	<u>(65,572,458)</u>	<u>(75,109,520)</u>	<u>(245,496)</u>	<u>(318,563)</u>	<u>(65,817,954)</u>	<u>(75,428,083)</u>
Total net position (deficit)	<u>\$ (48,829,871)</u>	<u>\$ (53,697,150)</u>	<u>\$ (245,496)</u>	<u>\$ (318,563)</u>	<u>\$ (49,075,367)</u>	<u>\$ (54,015,713)</u>

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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The table below shows the change in net position for fiscal years 2016 and 2015.

Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 2,720,249	\$ 2,566,739	\$ 610,087	\$ 530,875	\$ 3,330,336	\$ 3,097,614
Operating grants and contributions	5,557,413	6,018,680	-	-	5,557,413	6,018,680
Capital grants and contributions	23,110	1,140,508	-	-	23,110	1,140,508
General revenues:						
Property taxes	32,125,979	29,318,664	-	-	32,125,979	29,318,664
Payments in lieu of taxes	1,462,904	1,346,244	-	-	1,462,904	1,346,244
Grants and entitlements	27,317,011	25,586,793	-	-	27,317,011	25,586,793
Investment earnings	141,753	19,740	-	-	141,753	19,740
Other	<u>128,556</u>	<u>139,942</u>	<u>-</u>	<u>-</u>	<u>128,556</u>	<u>139,942</u>
Total revenues	<u>69,476,975</u>	<u>66,137,310</u>	<u>610,087</u>	<u>530,875</u>	<u>70,087,062</u>	<u>66,668,185</u>

The biggest increase in revenues was for property taxes. Property taxes increased \$2,807,315 due to an increase in the bond retirement property tax rate and the amount of taxes available as an advance and reported as revenue. The tax advance available is reported as revenue in the basic financial statements (see Note 6 to the basic financial statements for detail). The amount of taxes available as an advance can vary depending on when tax bills are sent to the taxpayer.

The largest decrease in revenues was for capital grants and contributions, which is a result of the District receiving funds for the Straight-A grant for the Marysville ECHS during fiscal year 2015.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 85.56 percent of total governmental revenue.

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

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

Change in Net Position (Continued)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Expenses						
Program expenses:						
Instruction:						
Regular	\$ 25,383,990	\$ 24,822,518	\$ -	\$ -	\$ 25,383,990	\$ 24,822,518
Special	8,469,226	7,742,690	-	-	8,469,226	7,742,690
Vocational	434,650	480,185	-	-	434,650	480,185
Other	313,410	245,210	-	-	313,410	245,210
Support services:						
Pupil	3,301,337	3,155,978	-	-	3,301,337	3,155,978
Instructional staff	3,969,800	2,541,020	-	-	3,969,800	2,541,020
Board of education	175,841	171,809	-	-	175,841	171,809
Administration	3,990,591	3,592,794	-	-	3,990,591	3,592,794
Fiscal	1,331,966	1,249,564	-	-	1,331,966	1,249,564
Business	371,848	1,028,209	-	-	371,848	1,028,209
Operations and maintenance	5,849,584	4,689,808	-	-	5,849,584	4,689,808
Pupil transportation	2,804,231	2,160,404	-	-	2,804,231	2,160,404
Central	1,024,198	776,413	-	-	1,024,198	776,413
Operation of non-instructional services:						
Other non-instructional services	155,506	230,265	-	-	155,506	230,265
Food services	2,129,606	1,852,988	-	-	2,129,606	1,852,988
Extracurricular activities	1,187,159	996,883	-	-	1,187,159	996,883
Interest and fiscal charges	3,716,753	4,409,277	-	-	3,716,753	4,409,277
Special enterprise - day care	-	-	537,020	349,480	537,020	349,480
Total expenses	64,609,696	60,146,015	537,020	349,480	65,146,716	60,495,495
Changes in net position	4,867,279	5,991,295	73,067	181,395	4,940,346	6,172,690
Net position (deficit) at beginning of year	(53,697,150)	(59,688,445)	(318,563)	(499,958)	(54,015,713)	(60,188,403)
Net position (deficit) at end of year	\$ (48,829,871)	\$ (53,697,150)	\$ (245,496)	\$ (318,563)	\$ (49,075,367)	\$ (54,015,713)

Governmental Activities

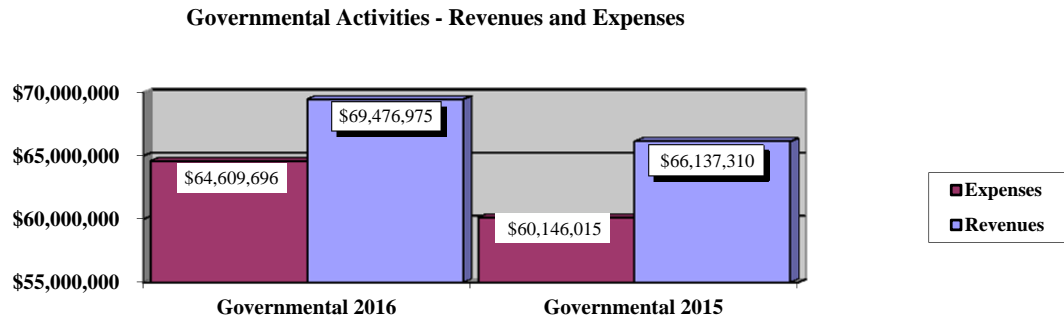
Net position of the District's governmental activities increased \$4,867,279. Total governmental expenses of \$64,609,696 were offset by program revenues of \$8,300,772, and general revenues of \$61,176,203. Program revenues supported 12.85 percent of the total governmental expenses.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$34,601,276 or 53.55 percent of total governmental expenses for fiscal year 2016. Instruction expenses increased by 3.94 percent during fiscal year 2016.

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

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

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



The statement of activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

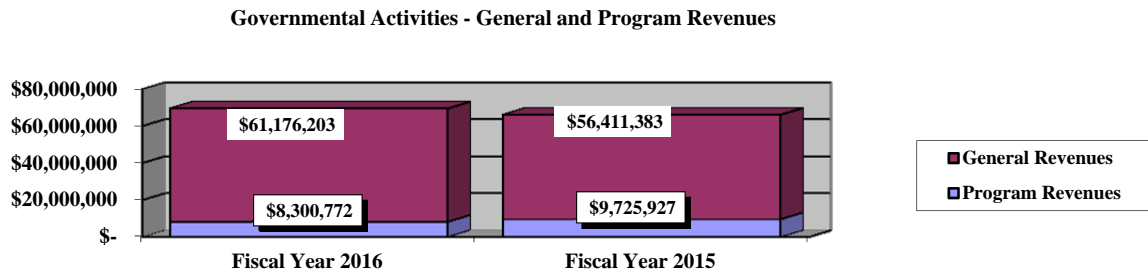
	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Instruction:	\$ 34,601,276	\$ 30,051,009	\$ 33,290,603	\$ 27,031,108
Support services:				
Pupil	3,301,337	3,141,382	3,155,978	2,973,131
Instructional staff	3,969,800	3,885,667	2,541,020	2,415,956
Board of education	175,841	175,841	171,809	171,809
Administration	3,990,591	3,658,735	3,592,794	3,350,460
Fiscal	1,331,966	1,331,966	1,249,564	1,249,564
Business	371,848	371,848	1,028,209	1,028,209
Operations and maintenance	5,849,584	5,741,888	4,689,808	4,591,570
Pupil transportation	2,804,231	2,681,077	2,160,404	2,019,835
Central	1,024,198	1,023,986	776,413	776,173
Operation of non-instructional services:				
Other non-instructional services	155,506	(33,063)	230,265	25,749
Food service operations	2,129,606	262	1,852,988	(51,551)
Extracurricular activities	1,187,159	561,573	996,883	428,798
Interest and fiscal charges	3,716,753	3,716,753	4,409,277	4,409,277
Total expenses	\$ 64,609,696	\$ 56,308,924	\$ 60,146,015	\$ 50,420,088

The dependence upon tax revenues during fiscal year 2016 for governmental activities is apparent, as 87.15 percent of 2016 expenses are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

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

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

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



Business-Type Activities

Business-type activities include the special enterprise-day care operations. This program had revenues of \$610,087 and expenses of \$537,020 for fiscal year 2016. Tuition and fees from the day care operations outpaced the expenses by \$73,067 during fiscal year 2016. The District's business-type activities do not receive support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on pages 18 - 19) reported a combined fund balance of \$18,876,425, which is \$7,102,833 higher than last year's total of \$11,773,592. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance (Deficit) <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	Increase (Decrease)
General	\$ 10,677,745	\$ 3,906,343	\$ 6,771,402
Bond retirement	1,704,143	545,470	1,158,673
Permanent improvement	5,808,018	6,486,615	(678,597)
Other governmental	<u>686,519</u>	<u>835,164</u>	<u>(148,645)</u>
Total	<u>\$ 18,876,425</u>	<u>\$ 11,773,592</u>	<u>\$ 7,102,833</u>

General Fund

The District's general fund balance increased \$6,771,402 during fiscal year 2016. The table that follows assists in illustrating the revenues of the general fund.

	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 23,377,516	\$ 21,682,889	7.82 %
Intergovernmental	27,443,113	26,140,162	4.98 %
Other revenues	<u>1,401,468</u>	<u>1,342,569</u>	4.39 %
Total	<u>\$ 52,222,097</u>	<u>\$ 49,165,620</u>	6.22 %

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

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

Tax revenue increased 7.82 percent. This increase is primarily due to the fluctuation in the amount of taxes available as an advance, and reported as revenue, at the end of the fiscal years 2016 and 2015. The amount of taxes available for advance is determined by timing of the tax bills sent by the County auditor. Intergovernmental revenue increased 4.98 percent. The District received additional funding from the State Foundation which contributed to the increase.

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

<u>Expenditures</u>	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Instruction	\$ 27,783,001	\$ 27,496,943	1.04 %
Support services	16,836,262	16,388,583	2.73 %
Operation of non-instructional services	14,327	7,720	85.58 %
Extracurricular activities	718,255	673,220	6.69 %
Facilities acquisition and construction	-	22,400	(100.00) %
Debt service	<u>98,850</u>	<u>91,402</u>	8.15 %
Total	<u>\$ 45,450,695</u>	<u>\$ 44,680,268</u>	1.72 %

Instruction expenditures remained relatively consistent with 2016, following decreases primarily attributable to anticipated salary/wage increases offset by the attrition of staff during fiscal year 2015. The slight increase in support services and extracurricular activities is due to the District trying to tightly control costs. Overall the expenditures of the District increased 1.72 percent during fiscal year 2016.

Bond Retirement Fund

Another major governmental fund is the bond retirement fund. The bond retirement fund had \$48,703,391 in revenues and other financing sources and \$47,545,258 in expenditures and other financing uses. The fund balance of the bond retirement fund increased from \$545,470 to \$1,704,143.

Permanent Improvement Fund

The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$4,502,882 in revenues and \$5,181,479 in expenditures. The District was not able to continue the trend of adding to the fund balance of the permanent improvement fund. The fund balance decreased 10.46 percent at June 30, 2016, compared to a 2.07 percent increase at June 30, 2015.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the District amended its general fund budget. For the general fund, final budgeted revenues of \$50,246,861 remained the same in the original budgeted revenues. Actual revenues and other financing sources of \$51,599,569 were \$1,352,708 higher than the final budget.

General fund final appropriations were \$48,562,481 remained the same in the same in the original appropriations. The actual budget basis expenditures for fiscal year 2016 totaled \$45,977,679, which was \$2,584,802 less than the final budget appropriations.

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

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$86,680,485 invested in land, buildings and improvements, furniture, fixtures and equipment and vehicles.

The following table shows fiscal year 2016 balances compared to 2015:

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

	Governmental Activities	
	2016	2015
Land	\$ 6,355,496	\$ 6,355,496
Buildings and improvements	76,243,656	78,888,738
Furniture, fixtures and equipment	2,690,878	4,812,793
Vehicles	1,390,455	3,195,101
Total	\$ 86,680,485	\$ 93,252,128

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

Debt Administration

At June 30, 2016 the District had \$77,326,339 in general obligation bonds, capital leases and loans payable outstanding. The general obligation bond issues are comprised of current issue bonds and capital appreciation bonds. Of this total debt outstanding, \$1,891,912 is due within one year and \$75,434,427 is due in more than one year. The table that follows summarizes the bonds, leases, notes and loans outstanding:

Outstanding Debt, at June 30

	Governmental Activities	
	2016	2015
General obligation bonds	\$ 71,201,097	\$ 76,069,572
Capital appreciation bonds - accreted interest	5,165,349	6,472,495
Capital lease	924,000	1,287,172
Energy conservation notes - long term	-	90,000
Loan payable	35,893	42,560
Total	\$ 77,326,339	\$ 83,961,799

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

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

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

Current Financial Related Activities

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

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

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

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

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 21,686,651	\$ 324,476	\$ 22,011,127
Receivables:			
Property taxes	31,515,207	-	31,515,207
Payment in lieu of taxes	1,393,759	-	1,393,759
Accounts.	104	-	104
Accrued interest	27,053	-	27,053
Intergovernmental	679,454	-	679,454
Capital assets:			
Nondepreciable capital assets	6,355,496	-	6,355,496
Depreciable capital assets, net.	80,324,989	-	80,324,989
Capital assets, net.	86,680,485	-	86,680,485
Total assets.	141,982,713	324,476	142,307,189
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	1,975,868	-	1,975,868
Pension - STRS	6,234,312	-	6,234,312
Pension - SERS	1,435,169	141,157	1,576,326
Total deferred outflows of resources	9,645,349	141,157	9,786,506
Liabilities:			
Accounts payable.	237,839	81	237,920
Accrued wages and benefits payable	4,452,343	14,164	4,466,507
Intergovernmental payable	94,941	662	95,603
Pension and postemployment benefits	783,265	4,063	787,328
Accrued interest payable	199,798	-	199,798
Claims payable.	308,656	-	308,656
Long-term liabilities:			
Due within one year.	2,467,463	5,248	2,472,711
Due in more than one year:			
Net pension liability (See Note 13)	73,147,627	658,493	73,806,120
Other amounts due in more than one year	84,623,930	6,600	84,630,530
Total liabilities	166,315,862	689,311	167,005,173
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	28,062,306	-	28,062,306
Payment in lieu of taxes levied for the next fiscal year	1,393,759	-	1,393,759
Pension - STRS.	4,234,931	-	4,234,931
Pension - SERS.	451,075	21,818	472,893
Total deferred inflows of resources	34,142,071	21,818	34,163,889
Net position:			
Net investment in capital assets	10,158,030	-	10,158,030
Restricted for:			
Capital projects	5,926,199	-	5,926,199
Food service operations	359,626	-	359,626
Student activities	168,557	-	168,557
Locally funded programs	39,186	-	39,186
State funded programs.	90,548	-	90,548
Federally funded programs	441	-	441
Unrestricted (deficit)	(65,572,458)	(245,496)	(65,817,954)
Total net position (deficit).	\$ (48,829,871)	\$ (245,496)	\$ (49,075,367)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 25,383,990	\$ 560,879	\$ 281,547	\$ -	\$ (24,541,564)	\$ -	\$ (24,541,564)
Special	8,469,226	46,540	3,536,640	-	(4,886,046)	-	(4,886,046)
Vocational	434,650	-	124,661	-	(309,989)	-	(309,989)
Other	313,410	-	-	-	(313,410)	-	(313,410)
Support services:							
Pupil	3,301,337	113,762	46,193	-	(3,141,382)	-	(3,141,382)
Instructional staff	3,969,800	18,178	47,845	18,110	(3,885,667)	-	(3,885,667)
Board of education	175,841	-	-	-	(175,841)	-	(175,841)
Administration	3,990,591	-	331,856	-	(3,658,735)	-	(3,658,735)
Fiscal	1,331,966	-	-	-	(1,331,966)	-	(1,331,966)
Business	371,848	-	-	-	(371,848)	-	(371,848)
Operations and maintenance	5,849,584	101,974	722	5,000	(5,741,888)	-	(5,741,888)
Pupil transportation	2,804,231	200	122,954	-	(2,681,077)	-	(2,681,077)
Central	1,024,198	212	-	-	(1,023,986)	-	(1,023,986)
Operation of non-instructional services:							
Other non-instructional services	155,506	14,814	173,755	-	33,063	-	33,063
Food service operations	2,129,606	1,238,104	891,240	-	(262)	-	(262)
Extracurricular activities	1,187,159	625,586	-	-	(561,573)	-	(561,573)
Interest and fiscal charges	3,716,753	-	-	-	(3,716,753)	-	(3,716,753)
Total governmental activities	<u>64,609,696</u>	<u>2,720,249</u>	<u>5,557,413</u>	<u>23,110</u>	<u>(56,308,924)</u>	<u>-</u>	<u>(56,308,924)</u>
Business-type activities:							
Special enterprise - day care	<u>537,020</u>	<u>610,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,067</u>	<u>73,067</u>
Totals	<u>\$ 65,146,716</u>	<u>\$ 3,330,336</u>	<u>\$ 5,557,413</u>	<u>\$ 23,110</u>	<u>(56,308,924)</u>	<u>73,067</u>	<u>(56,235,857)</u>
General revenues:							
Property taxes levied for:							
General purposes					23,328,315	-	23,328,315
Debt service					6,243,614	-	6,243,614
Capital outlay					2,554,050	-	2,554,050
Payments in lieu of taxes					1,462,904	-	1,462,904
Grants and entitlements not restricted to specific programs					27,317,011	-	27,317,011
Investment earnings					141,753	-	141,753
Miscellaneous					128,556	-	128,556
Total general revenues					<u>61,176,203</u>	<u>-</u>	<u>61,176,203</u>
Change in net position					4,867,279	73,067	4,940,346
Net position (deficit) at beginning of year					<u>(53,697,150)</u>	<u>(318,563)</u>	<u>(54,015,713)</u>
Net position (deficit) at end of year					<u>\$ (48,829,871)</u>	<u>\$ (245,496)</u>	<u>\$ (49,075,367)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Bond Retirement	Permanent Improvement
Assets:			
Equity in pooled cash and cash equivalents.	\$ 13,543,621	\$ 1,123,866	\$ 5,727,143
Receivables:			
Property taxes.	22,742,944	6,240,475	2,531,788
Payment in lieu of taxes	-	-	1,393,759
Accounts	-	-	-
Accrued interest	27,053	-	-
Intergovernmental.	162,846	-	-
Due from other funds	229,136	-	-
Total assets	\$ 36,705,600	\$ 7,364,341	\$ 9,652,690
Liabilities:			
Accounts payable	66,074	-	147,945
Accrued wages and benefits payable	4,198,740	-	-
Intergovernmental payable	91,629	-	-
Compensated absences payable	86,458	-	-
Pension and postemployment benefits	737,531	-	-
Due to other funds	-	-	-
Total liabilities.	5,180,432	-	147,945
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	20,260,285	5,544,723	2,257,298
Payment in lieu of taxes levied for the next fiscal year	-	-	1,393,759
Delinquent property tax revenue not available	413,366	115,475	45,670
Intergovernmental revenue not available.	155,205	-	-
Accrued interest not available.	18,567	-	-
Total deferred inflows of resources	20,847,423	5,660,198	3,696,727
Fund balances:			
Restricted:			
Debt service	-	1,704,143	-
Capital improvements	-	-	5,808,018
Food service operations	-	-	-
Student activities.	-	-	-
Locally funded programs.	-	-	-
Non-public schools	-	-	-
Special education	-	-	-
Assigned:			
Student instruction	51,668	-	-
Student and staff support.	337,296	-	-
Unassigned (deficit)	10,288,781	-	-
Total fund balances	10,677,745	1,704,143	5,808,018
Total liabilities, deferred inflows of resources and fund balances	\$ 36,705,600	\$ 7,364,341	\$ 9,652,690

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ 868,876	\$ 21,263,506
-	31,515,207
-	1,393,759
104	104
-	27,053
516,608	679,454
-	229,136
<u>\$ 1,385,588</u>	<u>\$ 55,108,219</u>
23,820	237,839
253,603	4,452,343
3,312	94,941
15,898	102,356
45,734	783,265
229,136	229,136
<u>571,503</u>	<u>5,899,880</u>
-	28,062,306
-	1,393,759
-	574,511
127,566	282,771
-	18,567
<u>127,566</u>	<u>30,331,914</u>
-	1,704,143
72,511	5,880,529
418,313	418,313
168,557	168,557
57,885	57,885
39,023	39,023
441	441
-	51,668
-	337,296
<u>(70,211)</u>	<u>10,218,570</u>
<u>686,519</u>	<u>18,876,425</u>
<u>\$ 1,385,588</u>	<u>\$ 55,108,219</u>

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

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

Total governmental fund balances		\$	18,876,425
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			86,680,485
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	574,511	
Accrued interest receivable		18,567	
Intergovernmental receivable		282,771	
Total		875,849	875,849
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			114,489
Unamortized premiums on bonds issued are not recognized in the funds.			(6,373,226)
Unamortized amounts on refundings are not recognized in the funds.			1,975,868
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(199,798)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds:			
Deferred outflows of resources - pension		7,669,481	
Deferred inflows of resources - pension		(4,686,006)	
Net pension liability		(73,147,627)	
Total		(70,164,152)	(70,164,152)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(71,201,097)	
Accreted interest - general obligation bonds		(5,165,349)	
Loan		(35,893)	
Capital lease obligations		(924,000)	
Compensated absences		(3,289,472)	
Total		(80,615,811)	(80,615,811)
Net position of governmental activities		\$	(48,829,871)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	General	Bond Retirement	Permanent Improvement
Revenues:			
From local sources:			
Property taxes	\$ 23,377,516	\$ 6,258,393	\$ 2,559,840
Payment in lieu of taxes	-	-	1,462,904
Tuition	370,858	-	-
Earnings on investments	128,223	-	-
Charges for services	-	-	-
Extracurricular	505,836	-	-
Classroom materials and fees	166,021	-	-
Rental income	101,974	-	-
Contributions and donations	-	-	-
Other local revenues	128,556	-	-
Intergovernmental - state	27,006,343	2,177,968	480,138
Intergovernmental - federal	436,770	-	-
Total revenues	52,222,097	8,436,361	4,502,882
Expenditures:			
Current:			
Instruction:			
Regular	20,840,991	-	420,346
Special	6,263,084	-	-
Vocational	365,516	-	-
Other	313,410	-	-
Support services:			
Pupil	2,802,987	-	-
Instructional staff	2,276,737	-	774,667
Board of education	176,039	-	-
Administration	3,182,689	-	-
Fiscal	1,047,612	125,328	65,601
Business	311,342	-	18,449
Operations and maintenance	3,927,544	-	2,167,024
Pupil transportation	2,080,436	-	457,176
Central	1,030,876	-	-
Operation of non-instructional services:			
Other non-instructional services	14,327	-	-
Food service operations	-	-	-
Extracurricular activities	718,255	-	-
Facilities acquisition and construction	-	-	865,847
Debt service:			
Principal retirement	96,667	2,063,475	363,172
Interest and fiscal charges	2,183	5,100,145	49,197
Refunding bond issuance costs	-	160,197	-
Total expenditures	45,450,695	7,449,145	5,181,479
Excess (deficiency) of revenues over (under) expenditures	6,771,402	987,216	(678,597)
Other financing sources (uses):			
Premium on refunding bonds	-	3,932,570	-
Refunding bonds issuance	-	36,335,000	-
Payment to refunding escrow agent	-	(40,096,113)	-
Total other financing sources (uses)	-	171,457	-
Net change in fund balances	6,771,402	1,158,673	(678,597)
Fund balances at beginning of year	3,906,343	545,470	6,486,615
Fund balances at end of year	\$ 10,677,745	\$ 1,704,143	\$ 5,808,018

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 32,195,749
-	1,462,904
-	370,858
-	128,223
1,238,104	1,238,104
337,456	843,292
-	166,021
-	101,974
5,562	5,562
66,069	194,625
296,079	29,960,528
2,533,600	2,970,370
<u>4,476,870</u>	<u>69,638,210</u>
278,098	21,539,435
1,094,839	7,357,923
-	365,516
-	313,410
44,790	2,847,777
65,404	3,116,808
-	176,039
337,842	3,520,531
-	1,238,541
-	329,791
700	6,095,268
5,217	2,542,829
-	1,030,876
142,741	157,068
2,079,241	2,079,241
317,684	1,035,939
258,959	1,124,806
-	2,523,314
-	5,151,525
-	160,197
<u>4,625,515</u>	<u>62,706,834</u>
<u>(148,645)</u>	<u>6,931,376</u>
-	3,932,570
-	36,335,000
-	(40,096,113)
-	<u>171,457</u>
(148,645)	7,102,833
835,164	11,773,592
<u>\$ 686,519</u>	<u>\$ 18,876,425</u>

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

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

Net change in fund balances - total governmental funds	\$	7,102,833
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 2,055,905	
Current year depreciation	(8,622,496)	
Total		(6,566,591)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(5,052)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(69,770)	
Earnings on investments	13,530	
Intergovernmental	(58,223)	
Total		(114,463)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		2,523,314
Issuance of refunding bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(36,335,000)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	39,140,000	
Unamortized premium on bonds refunded	2,054,078	
Unamortized deferred amount on bonds refunded	(1,467,331)	
Deferred charges on refundings	369,366	
Total		40,096,113
Premiums on debt issuances are recognized as revenues in the governmental funds; however, they are amortized over the life of the issuance on the statement of activities.		
		(3,932,570)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	18,966	
Accreted interest on capital appreciation bonds	1,307,146	
Amortization of bond premiums	526,926	
Amortization of deferred charges	(258,069)	
Total		1,594,969

- (Continued)

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

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

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	\$ 4,256,890
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(3,621,648)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(246,005)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	<u>114,489</u>
Change in net position of governmental activities	<u>\$ 4,867,279</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 22,153,308	\$ 22,153,308	\$ 23,039,975	\$ 886,667
Tuition.	344,257	344,257	370,858	26,601
Transportation fees.	15,000	15,000	-	(15,000)
Earnings on investments	23,121	23,121	23,902	781
Extracurricular.	300,700	300,700	311,022	10,322
Classroom materials and fees	211,850	211,850	166,021	(45,829)
Rental income	82,000	82,000	101,974	19,974
Other local revenues	127,000	127,000	128,556	1,556
Intergovernmental - intermediate	9,000	9,000	-	(9,000)
Intergovernmental - state	26,869,875	26,869,875	27,020,266	150,391
Intergovernmental - federal	110,750	110,750	436,770	326,020
Total revenues	<u>50,246,861</u>	<u>50,246,861</u>	<u>51,599,344</u>	<u>1,352,483</u>
Expenditures:				
Current:				
Instruction:				
Regular	21,863,153	21,854,422	20,953,052	901,370
Special.	6,443,633	6,442,899	6,295,265	147,634
Vocational.	464,721	464,071	420,851	43,220
Other.	420,707	421,275	358,718	62,557
Support services:				
Pupil.	2,883,677	2,866,798	2,708,141	158,657
Instructional staff	2,565,880	2,544,177	2,242,265	301,912
Board of education	240,049	237,219	224,376	12,843
Administration.	3,197,066	3,206,224	3,212,034	(5,810)
Fiscal	1,129,600	1,146,744	1,084,760	61,984
Business	406,982	475,682	329,915	145,767
Operations and maintenance.	4,607,839	4,540,096	4,181,720	358,376
Pupil transportation	2,412,771	2,413,819	2,118,768	295,051
Central.	1,127,413	1,151,264	1,030,920	120,344
Extracurricular activities.	706,669	705,608	724,711	(19,103)
Debt service:				
Principal retirement	90,135	90,000	90,000	-
Interest and fiscal charges.	2,186	2,183	2,183	-
Total expenditures	<u>48,562,481</u>	<u>48,562,481</u>	<u>45,977,679</u>	<u>2,584,802</u>
Excess of revenues over expenditures	<u>1,684,380</u>	<u>1,684,380</u>	<u>5,621,665</u>	<u>3,937,285</u>
Other financing sources:				
Refund of prior year expenditures.	-	-	225	225
Total other financing sources	<u>-</u>	<u>-</u>	<u>225</u>	<u>225</u>
Net change in fund balance	1,684,380	1,684,380	5,621,890	3,937,510
Fund balance at beginning of year.	7,262,137	7,262,137	7,262,137	-
Prior year encumbrances appropriated	332,412	332,412	332,412	-
Fund balance at end of year	<u>\$ 9,278,929</u>	<u>\$ 9,278,929</u>	<u>\$ 13,216,439</u>	<u>\$ 3,937,510</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Nonmajor Enterprise Fund	Governmental Activities - Internal Service Fund
	<u> </u>	<u> </u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 324,476	\$ 423,145
Total assets.	<u>324,476</u>	<u>423,145</u>
Deferred outflows of resources:		
Pension - SERS	<u>141,157</u>	<u>-</u>
Liabilities:		
Accounts payable.	81	-
Accrued wages and benefits payable	14,164	-
Pension and postemployment benefits	4,063	-
Intergovernmental payable	662	-
Claims payable	<u>-</u>	<u>308,656</u>
Total current liabilities	<u>18,970</u>	<u>308,656</u>
Long-term liabilities:		
Due within one year.	5,248	-
Due in more than one year:		
Net pension liability (See Note 13)	658,493	-
Other amounts due in more than one year.	<u>6,600</u>	<u>-</u>
Total long-term liabilities	<u>670,341</u>	<u>-</u>
Total liabilities	<u>689,311</u>	<u>308,656</u>
Deferred inflows of resources:		
Pension - SERS	<u>21,818</u>	<u>-</u>
Net position:		
Unrestricted (deficit).	<u>(245,496)</u>	<u>114,489</u>
Total net position (deficit)	<u>\$ (245,496)</u>	<u>\$ 114,489</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Nonmajor Enterprise Fund	Governmental Activities - Internal Service Fund
Operating revenues:		
Tuition and fees.	\$ 610,087	\$ -
Charges for services.	-	2,295,476
Total operating revenues	<u>610,087</u>	<u>2,295,476</u>
 Operating expenses:		
Personal services.	463,269	-
Purchased services.	23,260	316,688
Materials and supplies	45,097	-
Other.	5,394	-
Claims	-	1,864,299
Total operating expenses.	<u>537,020</u>	<u>2,180,987</u>
 Operating income/change in net position.	 73,067	 114,489
 Net position (deficit) at beginning of year	 <u>(318,563)</u>	 <u>-</u>
 Net position (deficit) at end of year	 <u><u>\$ (245,496)</u></u>	 <u><u>\$ 114,489</u></u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Nonmajor Enterprise Fund	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from tuition and fees	\$ 610,087	\$ -
Cash received from charges for services	-	2,295,476
Cash payments for personal services.	(458,094)	-
Cash payments for contractual services	(23,198)	(316,688)
Cash payments for materials and supplies	(47,807)	-
Cash payments for claims	-	(1,555,643)
Cash payments for other expenses	(5,394)	-
Net cash provided by operating activities	75,594	423,145
Net increase in cash and cash equivalents	75,594	423,145
Cash and cash equivalents at beginning of year	248,882	-
Cash and cash equivalents at end of year	\$ 324,476	\$ 423,145
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 73,067	\$ 114,489
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) in deferred outflows - pension	(97,475)	-
(Decrease) in accounts payable	(3,125)	-
Increase in accrued wages and benefits.	952	-
(Decrease) in intergovernmental payable	(926)	-
(Decrease) in compensated absences payable.	(2,415)	-
(Decrease) in pension and postemployment benefits payable	(3,632)	-
Increase in claims payable.		308,656
Increase in net pension liability	167,087	-
(Decrease) in deferred inflows - pension	(57,939)	-
Net cash provided by operating activities.	\$ 75,594	\$ 423,145

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 145,262	\$ 272,534
Receivables:		
Accounts	239	8,299
Total assets	145,501	\$ 280,833
Liabilities:		
Accounts payable.	\$ 32	\$ -
Intergovernmental payable	-	15,375
Due to students.	-	208,732
Due to others.	-	56,726
Total liabilities	32	\$ 280,833
Net position:		
Held in trust for scholarships.	145,469	
Total net position.	\$ 145,469	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 3
Gifts and contributions	46,512
Total additions.	46,515
Deductions:	
Scholarships awarded	6,789
Change in net position	39,726
Net position at beginning of year.	105,743
Net position at end of year	\$ 145,469

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is governed by a locally elected five member Board of Education (the "Board") which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 228 non-certified and approximately 365 certified teaching personnel and administrative employees providing education to 5,354 students.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), and Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2016, the District paid META Solutions \$78,785 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Ohio Hi-Point Joint Vocational School

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

Union County Council of Governments (COG)

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

INSURANCE PURCHASING POOL

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program. The District paid \$4,715 in fees during fiscal year 2016.

B. Fund Accounting

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

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

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

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service fund accounts for a medical self-insurance program.

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

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore are not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs for students. The District's agency funds account for various student-managed activity programs, unclaimed funds, and the District's Section 125 Cafeteria Plan. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

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

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

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

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 13 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

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

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

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

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

E. Budgetary Process

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

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

Tax Budget

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

Estimated Resources

Prior to April 1, unless a later date is approved by the Tax Commissioner, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended certificate of estimated resources issued for fiscal year 2016.

Appropriations

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

Lapsing of Appropriations

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

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

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

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

F. Cash and Investments

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

During fiscal year 2016, the District's investments included negotiable CDs, Federal Home Loan Bank Securities (FHLB), Federal Home Loan Mortgage Corporation securities (FHLMC), Federal Farm Credit Bank securities (FFCB), Fannie Mae (FNMA), U.S. government money markets, commercial paper and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but STAR Ohio has adopted GASB Statement No. 79, "Certain External Investment Pools and Pool Participants". Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price at which the District's investment could be sold on June 30, 2016. The District also had deposited funds in the STAR Ohio Plus program. The STAR Ohio Plus program allows Ohio's political subdivisions to deposit monies in a network of FDIC-insured banks via a single account.

Under existing Ohio statutes, interest earnings are allocated to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$128,223, which includes \$55,395 assigned from other District funds.

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

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

G. Inventory

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

H. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepayments using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no significant prepayments at June 30, 2016.

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

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

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$2,000. Contributed capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is not capitalized.

Furniture, fixtures and equipment acquired by the proprietary fund is stated at cost (or estimated historical cost). Contributed capital assets are recorded at their fair market values as of the date received.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	30 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	8 years

J. Interfund Balances

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

K. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

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

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

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

Employees may earn 15 days of sick leave per year up to a maximum of 270 days. Upon retirement, certified and classified employees will receive 25 percent, and administration will receive 30 percent of the accumulated sick leave up to a maximum of 64 days. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, employees any age with 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

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

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

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

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

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

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

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

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

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

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

N. Net Position

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

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

O. Estimates

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

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

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

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

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. During fiscal year 2016, there were no transfers between governmental and business-type activities.

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

Q. Pensions

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

R. Extraordinary and Special Items

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

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

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

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

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

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

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

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

T. Fair Market Value

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

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

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 36,268
Title I	23,952
Improving teacher quality	9,378
Miscellaenous federal grant	613

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$9,120,729. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$8,605,309 of the District's bank balance of \$9,454,439 was exposed to custodial credit risk as discussed below, while \$849,130 was covered by the FDIC.

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Star OHIO	\$ 91,151	\$ 91,151	\$ -	\$ -	\$ -	\$ -
U.S. Government money market	262,202	262,202	-	-	-	-
Negotiable CDs	2,293,636	28,011	1,002,260	100,201	750,899	412,265
Commercial paper	3,921,696	184,919	3,736,777	-	-	-
FHLB	802,835	802,835	-	-	-	-
FFCB	500,143	-	500,143	-	-	-
FHLMC	3,040,316	-	-	1,006,075	440,337	1,593,904
FNMA	2,396,215	-	-	-	1,005,099	1,391,116
Total	\$ 13,308,194	\$ 1,369,118	\$ 5,239,180	\$ 1,106,276	\$ 2,196,335	\$ 3,397,285

The District's investments in federal agency securities, negotiable certificates of deposit, commercial paper and U.S. Government money market are valued using quoted market prices (Level 1 inputs).

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The investment in FHLB, FFCB, FHLMC and FNMA carry ratings of Aaa by Moodys and AA+ by Standard & Poor's. The commercial paper carry a rating of P-1 by Moodys and A-1+ and A-1 by Standard & Poor's. The U.S. government money market and negotiable CDs were not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State Statute.

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair value</u>	<u>% to total</u>
STAR Ohio	\$ 91,151	0.68
U.S. Government money market	262,202	1.97
Negotiable CDs	2,293,636	17.23
Commercial paper	3,921,696	29.47
FHLB	802,835	6.03
FFCB	500,143	3.76
FHLMC	3,040,316	22.85
FNMA	<u>2,396,215</u>	<u>18.01</u>
Total	<u>\$ 13,308,194</u>	<u>100.00</u>

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

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

Cash and investments per note

Carrying amount of deposits	\$ 9,120,729
Investments	<u>13,308,194</u>
Total	<u>\$ 22,428,923</u>

Cash and investments per statement of net position

Governmental activities	\$ 21,686,651
Business-type activities	324,476
Private-purpose trust fund	145,262
Agency fund	<u>272,534</u>
Total	<u>\$ 22,428,923</u>

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

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

NOTE 5 - INTERFUND TRANSACTIONS

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

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental:	
	Miscellaneous state grants	24,549
	IDEA Part B	79,501
	Title I	80,306
	IDEA preschool grant for the handicapped	5,000
	Improving teacher quality	10,075
	Miscellaneous federal grants	<u>29,705</u>
	Total	<u>\$ 229,136</u>

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Union County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$2,069,293 in the general fund, \$580,277 in the bond retirement fund and \$228,820 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$1,731,752 in the general fund, \$485,293 in the bond retirement fund and \$192,577 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

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

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 633,630,190	90.39	\$ 637,484,560	86.13
Public utility personal	<u>67,337,060</u>	<u>9.61</u>	<u>102,700,670</u>	<u>13.87</u>
Total	<u>\$ 700,967,250</u>	<u>100.00</u>	<u>\$ 740,185,230</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 62.27		\$ 62.27	

NOTE 7 - PAYMENT IN LIEU OF TAXES

According to State law, Union County has entered into agreements with property owners under which Union County has granted property tax abatements to those property owners and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to Union County to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by those owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. The District received \$1,462,904 in payments in lieu of taxes during fiscal year 2016 and a receivable of \$1,393,759 has been reported on the fund financial statements and the statement of net position.

NOTE 8 - RECEIVABLES

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

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

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

NOTE 8 – RECEIVABLES (Continued)

Governmental activities:

Property taxes	\$ 31,515,207
Payment in lieu of taxes	1,393,759
Accounts	104
Accrued interest	27,053
Intergovernmental	<u>679,454</u>
 Total receivables	 <u><u>\$ 33,615,577</u></u>

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

NOTE 9 - CAPITAL ASSETS

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

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2016</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,355,496	\$ -	\$ -	\$ 6,355,496
Total capital assets, not being depreciated	<u>6,355,496</u>	<u>-</u>	<u>-</u>	<u>6,355,496</u>
Capital assets, being depreciated:				
Building and improvements	131,585,937	1,622,906	-	133,208,843
Furniture, fixtures and equipment	5,991,511	-	(10,544)	5,980,967
Vehicles	3,518,240	432,999	(70,977)	3,880,262
Total capital assets, being depreciated	<u>141,095,688</u>	<u>2,055,905</u>	<u>(81,521)</u>	<u>143,070,072</u>
Less: accumulated depreciation				
Building and improvements	(52,697,199)	(4,267,988)	-	(56,965,187)
Furniture, fixtures and equipment	(1,178,718)	(2,116,863)	5,492	(3,290,089)
Vehicles	(323,139)	(2,237,645)	70,977	(2,489,807)
Total accumulated depreciation	<u>(54,199,056)</u>	<u>(8,622,496)</u>	<u>76,469</u>	<u>(62,745,083)</u>
Governmental activities capital assets, net	<u>\$ 93,252,128</u>	<u>\$ (6,566,591)</u>	<u>\$ (5,052)</u>	<u>\$ 86,680,485</u>

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

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

NOTE 9 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 4,073,401
Special	1,161,243
Vocational	72,062
Support Services:	
Pupil	520,166
Instructional staff	846,816
Administration	564,543
Fiscal	99,404
Business	44,099
Operations and maintenance	267,773
Pupil transportation	733,071
Food service operations	75,882
Extracurricular	<u>164,036</u>
Total depreciation expense	<u>\$ 8,622,496</u>

NOTE 10 - CAPITALIZED LEASES

Prior to fiscal year 2016, the District entered into agreements for buildings and improvements and computer networking technology under capital lease obligations. These leases meet the criteria of a capital lease as defined by GASB, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

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

A corresponding liability for future principal payments on the capital lease agreements is recorded in the statement of net position. Principal payments in the 2016 fiscal year totaled \$363,172. This amount is reflected as debt service principal retirement in the permanent improvement fund and as a reduction to the long-term liabilities reported on the statement of net position.

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

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

NOTE 10 - CAPITALIZED LEASES (Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 156,689
2018	156,111
2019	155,269
2020	155,140
2021	155,675
2022 - 2024	<u>310,529</u>
Total minimum lease payments	1,089,413
Less: amount representing interest	<u>(165,413)</u>
Total	<u>\$ 924,000</u>

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

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

NOTE 11 - LONG-TERM OBLIGATIONS

A. The District's long-term obligations activity during fiscal year 2016 consisted of the following.

	Balance			Balance	Amounts
	June 30, 2015	Additions	Disposals	June 30, 2016	Due Within
					One Year
Governmental Activities:					
<u>General obligation bonds</u>					
2000 Refunding new elementary 3.4-5.15%	\$ 4,149,338	\$ -	\$ (24,851)	\$ 4,124,487	\$ 19,487
2000 Fifth/sixth elementary 5.79%	438,246	-	(151,660)	286,586	151,759
2000 New elementary and middle school 4.35-5.375%	113,362	-	(50,024)	63,338	63,338
2002 Refunding fifth/sixth elementary 3.60%	414,974	-	-	414,974	-
2005 Refunding school improvement 3.25-5%	29,743,668	-	(28,921,940)	821,728	821,728
2006 School improvement/refunding 3.5-5%	12,779,984	-	(11,890,000)	889,984	58,933
2012 School improvement/refunding 2-5%	10,810,000	-	(165,000)	10,645,000	155,000
2013 School improvement/refunding 2-5%	8,605,000	-	-	8,605,000	-
2014 School improvement/refunding 1-4%	9,015,000	-	-	9,015,000	-
2015 School improvement/refunding 5%	-	36,335,000	-	36,335,000	500,000
Subtotal general obligation bonds	<u>76,069,572</u>	<u>36,335,000</u>	<u>(41,203,475)</u>	<u>71,201,097</u>	<u>1,770,245</u>
Unamortized premium on bond issuances	5,021,660	3,932,570	(2,581,004)	6,373,226	-
Capital appreciation bonds interest accretion	6,472,495	1,169,379	(2,476,525)	5,165,349	-
Total general obligation bonds	<u>87,563,727</u>	<u>41,436,949</u>	<u>(46,261,004)</u>	<u>82,739,672</u>	<u>1,770,245</u>
<u>Other long-term obligations:</u>					
Loan payable	42,560	-	(6,667)	35,893	6,667
Energy Conservation note	90,000	-	(90,000)	-	-
Compensated absences	3,353,549	802,171	(763,892)	3,391,828	575,551
Net pension liability	63,915,142	9,232,485	-	73,147,627	-
Capital leases payable	1,287,172	-	(363,172)	924,000	115,000
Total other long-term obligations	<u>68,688,423</u>	<u>10,034,656</u>	<u>(1,223,731)</u>	<u>77,499,348</u>	<u>697,218</u>
Total	<u>\$ 156,252,150</u>	<u>\$ 51,471,605</u>	<u>\$(47,484,735)</u>	<u>\$ 160,239,020</u>	<u>\$ 2,467,463</u>
Business-type Activities:					
Compensated absences	\$ 14,263	\$ 5,905	\$ (8,320)	\$ 11,848	\$ 5,248
Net pension liability	<u>491,406</u>	<u>167,087</u>	<u>-</u>	<u>658,493</u>	<u>-</u>
Total business-type activities	<u>\$ 505,669</u>	<u>\$ 172,992</u>	<u>\$ (8,320)</u>	<u>\$ 670,341</u>	<u>\$ 5,248</u>

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

Net Pension Liability - The District pays obligations related to employee compensation from the fund benefitting their service. See Note 13 to the notes to the basic financial statements for details.

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

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Loan payable - On June 26, 2012, the Board of Education approved a resolution to authorize the District Treasurer to enter into a loan agreement on behalf of the District for the Union County Council of Governments (COG). The District's share of the \$400,000 no-interest loan with the Ohio Department of Development is scheduled to be 10.64 percent of the loan. As of June 30, 2016, the COG has the entire amount of the loan proceeds for approved expenditures. A liability for the District's share of \$35,893 has been reported as a liability on the statement of net position. A payment schedule will not be available until all loan funds have been disbursed.

B. Principal and interest requirements to retire the general obligation bonds are as follows:

Fiscal Year Ending June 30.	General Obligation Bonds		
	Principal	Interest	Total
2017	\$ 1,770,245	\$ 6,807,881	\$ 8,578,126
2018	3,142,890	4,415,886	7,558,776
2019	4,255,624	3,532,051	7,787,675
2020	3,464,511	4,639,458	8,103,969
2021	3,467,965	4,642,747	8,110,712
2022 - 2026	27,074,862	11,878,094	38,952,956
2027 - 2030	28,025,000	2,536,925	30,561,925
Total	\$ 71,201,097	\$ 38,453,042	\$ 109,654,139

C. Defeased Debt

In March 2001, the District defeased \$7,669,538 of general obligation bonds for the new elementary additions, dated October 1, 1995, through the issuance of \$7,667,973 of general obligation bonds for the new elementary additions. The net proceeds of the 2001 bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$4,124,488 at June 30, 2016, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding. The refunding bonds are paid from the bond retirement fund.

In March 2002, the District defeased \$13,335,000 of general obligation bonds for the fifth/sixth elementary building, dated March 1, 2000, through the issuance of \$13,334,974 of general obligation bonds for the fifth/sixth elementary building. The net proceeds of the 2002 bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$13,335,000 at June 30, 2016, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding. The refunding bonds are paid from the bond retirement fund.

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

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

In September 2005, the District defeased \$41,425,000 of certificates of participation for school improvements, dated March 2, 2005, through the issuance of \$40,284,966 of general obligation bonds for school improvements. The net proceeds of the 2005 bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded certificates. The refunded certificates, which have an outstanding balance of \$821,728 at June 30, 2016, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding. On September 3, 2015 the District advance refunded 28,050,000 of the 2006 current interest serial and term bonds that were due December 1, 2016 through December 1, 2029. The refunding bonds are paid from the bond retirement fund.

In February 2006, the District defeased \$12,350,000 of general obligation bonds for a new elementary and Raymond elementary school improvements, dated December 1, 2000, through the issuance of \$12,349,984 of general obligation bonds for school improvements. The net proceeds of the 2006 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$889,984 at June 30, 2016, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding. On September 3, 2015 the District advance refunded 11,090,000 of the 2006 current interest serial and term bonds that were due December 1, 2016 through December 1, 2029. The refunding bonds are paid from the bond retirement fund.

In November 2012, the District issued \$10,870,000 in school improvement general obligation refunding bonds to currently refund \$10,835,000 of the school improvement refunding bonds dated March 1, 2002 and to advance refund \$515,000 of the school improvement bonds dated March 2, 2006. The debt issue is comprised of current interest serial bonds (par value \$8,845,000) and current interest term bonds (par value \$2,025,000). The interest rate on the current interest serial bonds ranges from 2.00- 5.00 percent and the interest rate on the current interest term bonds is 3.00 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029. The refunding bonds are paid from the bond retirement fund. The net proceeds of the 2012 school improvement refunding bonds related to the advance refunding portion have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$60,000 at June 30, 2016, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

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

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

In November 2013, the District issued \$8,655,000 in school improvement general obligation refunding bonds to advance refund \$8,830,000 of the school improvement bonds dated March 2, 2006. The debt issue is comprised of current interest serial bonds (par value \$6,705,000) and current interest term bonds (par value \$1,950,000). The interest rate on the current interest serial bonds ranges from 2.00-5.00 percent and the interest rate on the current interest term bonds is 5.00 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2026. The refunding bonds are paid from the bond retirement fund. The net present value savings of the refunding was \$420,434. The reacquisition price exceeded the net carrying amount of the old debt by \$1,007,863. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The net proceeds of the 2013 school improvement refunding bonds related to the advance refunding portion have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$8,605,000 at June 30, 2016, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In June 2014, the District issued \$9,015,000 in school improvement general obligation refunding bonds to advance refund \$9,130,000 of the school improvement bonds dated March 2, 2006. The debt issue is comprised of current interest serial bonds (par value \$9,015,000). The interest rate on the current interest serial bonds ranges from 1.00- 4.00 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029. The refunding bonds are paid from the bond retirement fund. The net present value savings of the refunding was \$674,488. The reacquisition price exceeded the net carrying amount of the old debt by \$577,407. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The net proceeds of the 2014 school improvement refunding bonds related to the advance refunding portion have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$9,015,000 at June 30, 2016, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In September 2015, the District issued \$36,335,000 in school improvement general obligation refunding bonds to refund \$28,050,000 of the school improvement bonds dated September 1, 2005 and \$11,090,000 of the school improvement bonds dated February 1, 2006 . The debt issue is comprised of current interest serial bonds (par value \$36,335,000). The interest rate on the current interest serial bonds is 3.50 - 5.00 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029. The refunding bonds are paid from the bond retirement fund. The net present value savings of the refunding was \$4,168,200. The reacquisition price exceeded the net carrying amount of the old debt by \$369,366. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

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

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

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

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the District contracted with Ohio Casualty Insurance Company for various coverages, as follows:

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

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

B. Worker’s Compensation

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

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

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

NOTE 12 - RISK MANAGEMENT - (Continued)

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

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

Beginning during fiscal year 2016, medical insurance is offered to employees through a self-insurance internal service fund. The claims liability of \$308,656 reported in the internal service fund at June 30, 2016, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past fiscal year follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2016	\$ -	\$ 1,864,299	\$ (1,555,643)	\$ 308,656

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The District's contractually required contribution to SERS was \$1,075,709 for fiscal year 2016. Of this amount, \$78,382 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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.

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

The District's contractually required contribution to STRS was \$3,230,811 for fiscal year 2016. Of this amount, \$562,988 is reported as pension and postemployment benefits payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 14,272,461	\$ 59,533,659	\$ 73,806,120
Proportion of the net pension liability	0.25012650%	0.21541230%	
Pension expense	\$ 991,187	\$ 2,691,764	\$ 3,682,951

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

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 229,813	\$ 2,711,555	\$ 2,941,368
Changes in proportionate share	270,804	291,946	562,750
District contributions subsequent to the measurement date	<u>1,075,709</u>	<u>3,230,811</u>	<u>4,306,520</u>
Total deferred outflows of resources	<u>\$ 1,576,326</u>	<u>\$ 6,234,312</u>	<u>\$ 7,810,638</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 472,893</u>	<u>\$ 4,234,931</u>	<u>\$ 4,707,824</u>
Total deferred inflows of resources	<u>\$ 472,893</u>	<u>\$ 4,234,931</u>	<u>\$ 4,707,824</u>

\$4,306,520 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (84,953)	\$ (878,482)	\$ (963,435)
2018	(84,953)	(878,482)	(963,435)
2019	(84,952)	(878,482)	(963,434)
2020	<u>282,582</u>	<u>1,404,016</u>	<u>1,686,598</u>
Total	<u>\$ 27,724</u>	<u>\$ (1,231,430)</u>	<u>\$ (1,203,706)</u>

Actuarial Assumptions - SERS

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

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

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 19,790,774	\$ 14,272,461	\$ 9,625,586

Actuarial Assumptions - STRS

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

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 82,696,743	\$ 59,533,659	\$ 39,945,817

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

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

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$129,098.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$129,098, \$184,422, and \$133,967, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

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

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

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

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$223,889, respectively. The full amount has been contributed for fiscal year 2014.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 5,621,890
Net adjustment for revenue accruals	427,939
Net adjustment for expenditure accruals	378,928
Net adjustment for other sources/uses	(225)
Funds budgeted elsewhere	6,406
Adjustment for encumbrances	336,464
GAAP basis	<u>\$ 6,771,402</u>

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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

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

NOTE 17 - SET ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	885,839
Current year offsets	<u>(3,003,735)</u>
Total	<u>\$ (2,117,896)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 284,693
Permanent improvement fund	844,528
Other governmental funds	<u>141,525</u>
Total	<u>\$ 1,270,746</u>

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.25012650%	0.24396900%	0.24396900%
District's proportionate share of the net pension liability	\$ 14,272,461	\$ 12,347,132	\$ 14,508,053
District's covered-employee payroll	\$ 7,530,114	\$ 7,089,250	\$ 7,244,964
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	200.25%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.21541230%	0.21402964%	0.21402964%
District's proportionate share of the net pension liability	\$ 59,533,659	\$ 52,059,416	\$ 62,012,835
District's covered-employee payroll	\$ 22,257,821	\$ 21,867,915	\$ 22,127,546
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	267.47%	238.06%	280.25%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,075,709	\$ 992,469	\$ 982,570	\$ 1,002,703
Contributions in relation to the contractually required contribution	<u>(1,075,709)</u>	<u>(992,469)</u>	<u>(982,570)</u>	<u>(1,002,703)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,683,636	\$ 7,530,114	\$ 7,089,250	\$ 7,244,964
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,035,884	\$ 947,303	\$ 1,098,270	\$ 870,730	\$ 839,038	\$ 800,149
<u>(1,035,884)</u>	<u>(947,303)</u>	<u>(1,098,270)</u>	<u>(870,730)</u>	<u>(839,038)</u>	<u>(800,149)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,701,740	\$ 7,536,221	\$ 8,111,300	\$ 8,848,882	\$ 8,544,175	\$ 7,492,032
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 3,230,811	\$ 3,116,095	\$ 2,842,829	\$ 2,876,581
Contributions in relation to the contractually required contribution	<u>(3,230,811)</u>	<u>(3,116,095)</u>	<u>(2,842,829)</u>	<u>(2,876,581)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 23,077,221	\$ 22,257,821	\$ 21,867,915	\$ 22,127,546
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 3,069,321	\$ 3,024,223	\$ 2,895,483	\$ 3,031,604	\$ 3,075,239	\$ 2,913,411
<u>(3,069,321)</u>	<u>(3,024,223)</u>	<u>(2,895,483)</u>	<u>(3,031,604)</u>	<u>(3,075,239)</u>	<u>(2,913,411)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 23,610,162	\$ 23,263,254	\$ 22,272,946	\$ 23,320,031	\$ 23,655,685	\$ 22,410,854
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

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

Changes between measurement date and report date: In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not know, the impact to the District's net pension liability is expected to be significant.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	\$ 150,142
Cash Assistance:		
School Breakfast Program	10.553	132,267
National School Lunch Program	10.555	621,144
Total Child Nutrition Cluster		<u>903,553</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>903,553</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through the Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	538,142
Special Education Cluster:		
Special Education - Grants to States	84.027	942,528
Special Education - Preschool Grants	84.173	5,000
Total Special Education Cluster		<u>947,528</u>
Twenty-First Century Community Learning Centers	84.287	148,229
ARRA-State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants, Recovery Act	84.395	1,867
Improving Teacher Quality State Grants	84.367	<u>119,292</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>1,755,058</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 2,658,611</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Marysville Exempted Village School District (the District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D - FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marysville Exempted Village School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Marysville Exempted Village School District's, Union County, Ohio, (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Marysville Exempted Village School District's major federal programs for the year ended June 30, 2016. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, contracts, the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Marysville Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended June 30, 2016.

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Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2017

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	<u>Child Nutrition Cluster</u> CFDA #10.553 – School Breakfast Program CFDA #10.555 – National School Lunch Program <u>Special Education Cluster</u> CFDA #84.027 – Special Education-Grants to States CFDA #84.173 – Special Education-Preschool Grants
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016
(Continued)

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

FINDING NUMBER 2016-001

Material Weakness- Financial Reporting

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

The following adjustments were material to the District's June 30, 2016 financial statements. The District has posted these adjustments to their financial statements:

1. Adjustment to decrease Governmental net capital assets by \$3,313,211 due to depreciation expense being improperly calculated.
2. Adjustments to properly record State Employees' Retirement System pension expense and related deferred outflows and inflows for governmental type activities in the amounts of \$69,942, \$33,758, and \$36,184, respectfully. Adjustments were also made for business type activities/remaining fund information in the amounts of \$68,357, \$70,107, and \$1,750, respectfully.

By not properly recording transactions, inaccurate financial reports could be disseminated to the governing board and management as well as financial statement readers.

We recommend the District implement internal control procedures over financial reporting to help ensure the completeness and accuracy of financial information reported within the District's report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions. Furthermore, the unadjusted difference listed above should be reviewed by the Treasurer and the Board to ensure that similar errors are not reported in the financial statements and notes in subsequent years.

Officials' Response

See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Corrected during audit	Done	Todd Johnson

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Financial Reporting	Not Corrected	Repeated as Finding 2016-001; see Corrective Action Plan.



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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 4, 2017**