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## **MIAMI TRACE LOCAL SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2016

With Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Education  
Miami Trace Local School District  
3818 State Route 41 NW  
Washington Court House, OH 43160

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

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

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

Dave Yost  
Auditor of State

February 7, 2017

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Miami Trace Local School District:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

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

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

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

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## **Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with 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 that the management's discussion and analysis, the budgetary comparison information and schedules of net pension liabilities and pension contributions on pages 4 through 13, and 52 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Miami Trace Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016 on our consideration of Miami Trace Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Miami Trace Local School District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 21, 2016



**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)**

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The discussion and analysis of Miami Trace Local School District's 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 notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- Net position of governmental activities increased \$15,753,914 which represents an 165% increase from 2015.
- General revenues accounted for \$41,263,546 in revenue or 86% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,646,929 or 14% of total revenues of \$47,910,475.
- The District had \$32,156,561 in expenses related to governmental activities; \$6,646,929 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$41,263,546 were also used to provide for these programs.

**Overview of the Financial Statements**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. 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 a more detailed look at financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General and Classroom Facilities Funds are the major funds of the District.

**Government-wide Financial Statements**

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

**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)**

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These two statements report the District's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the District consists of one activity:

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

**Fund Financial Statements**

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

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

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**The District as a Whole**

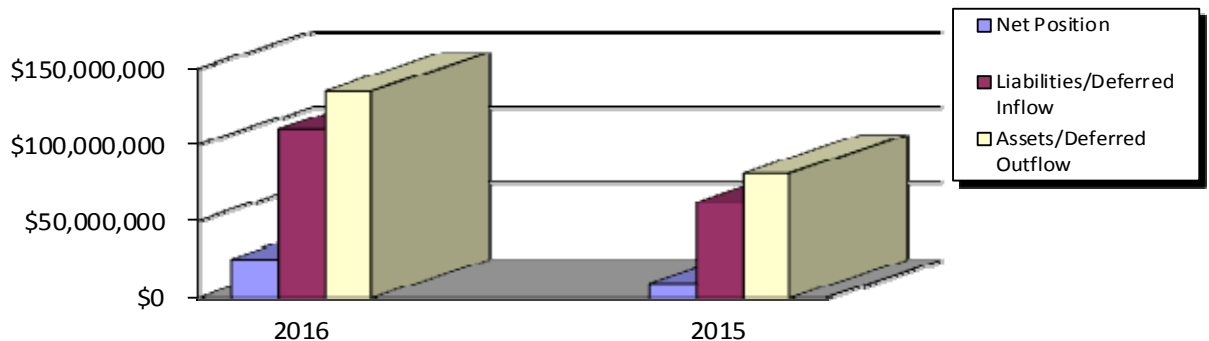
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2016 compared to fiscal year 2015:

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**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)**

Table 1  
Net Position

	Governmental Activities	
	2016	2015
<b>Assets:</b>		
Current and Other Assets	\$85,121,864	\$36,417,029
Capital Assets	44,030,976	44,775,082
<b>Total Assets</b>	<b>129,152,840</b>	<b>81,192,111</b>
<b>Deferred Outflows of Resources:</b>		
Deferred Charge on Refunding Pension	2,643,260	2,808,555
	3,624,043	2,255,186
<b>Total Deferred Outflows of Resources</b>	<b>6,267,303</b>	<b>5,063,741</b>
<b>Liabilities:</b>		
Other Liabilities	3,668,345	3,173,710
Long-Term Liabilities	94,266,040	58,948,823
<b>Total Liabilities</b>	<b>97,934,385</b>	<b>62,122,533</b>
<b>Deferred Inflows of Resources:</b>		
Property Taxes	9,565,067	8,759,589
Revenue in Lieu of Taxes	479,653	452,053
Pension	2,152,530	5,387,083
<b>Total Deferred Inflows of Resources</b>	<b>12,197,250</b>	<b>14,598,725</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	17,521,184	19,816,549
Restricted	21,969,328	6,866,697
Unrestricted	(14,202,004)	(17,148,652)
<b>Total Net Position</b>	<b>\$25,288,508</b>	<b>\$9,534,594</b>



**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)**

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Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,288,508.

At year-end, capital assets represented 34% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2016, were \$17,521,184. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$21,969,328, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets increased mainly due to an increase in investments, which was mainly due to the issuance of school improvement bonds and grant revenue for capital construction. Capital Assets for the District decreased mainly due to current year additions being less than current year depreciation expense. Long-Term Liabilities increased mainly due to the issuance of school improvement bonds.

Table 2 shows the changes in net position for fiscal years 2016 and 2015.

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**Miami Trace Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

Table 2  
Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues		
Charges for Services	\$3,273,093	\$3,442,489
Operating Grants and Contributions	3,373,836	3,405,045
General Revenues:		
Property Taxes	17,772,881	13,632,460
Grants and Entitlements	21,818,595	10,174,003
Other	1,672,070	792,673
Total Revenues	<u>47,910,475</u>	<u>31,446,670</u>
Program Expenses:		
Instruction	16,330,244	16,374,760
Support Services:		
Pupil and Instructional Staff	2,917,455	2,901,642
School Administrative, General		
Administration, Fiscal and Business	3,927,069	3,619,524
Operations and Maintenance	2,310,333	2,400,315
Pupil Transportation	2,227,500	2,254,086
Central	175,854	145,725
Operation of Non-Instructional Services	1,270,512	1,227,654
Extracurricular Activities	667,793	607,744
Interest and Fiscal Charges	1,897,345	1,226,823
Bond Issuance Cost	432,456	0
Total Program Expenses	<u>32,156,561</u>	<u>30,758,273</u>
Change in Net Position	15,753,914	688,397
Net Position - Beginning of Year	<u>9,534,594</u>	<u>8,846,197</u>
Net Position - End of Year	<u>\$25,288,508</u>	<u>\$9,534,594</u>

The District revenues are mainly from two sources. Property taxes levied for general, classroom maintenance, debt service purposes, and capital projects purposes and grants and entitlements (not restricted) and grants and entitlements for capital construction comprised 83% of the District's revenues for governmental activities.

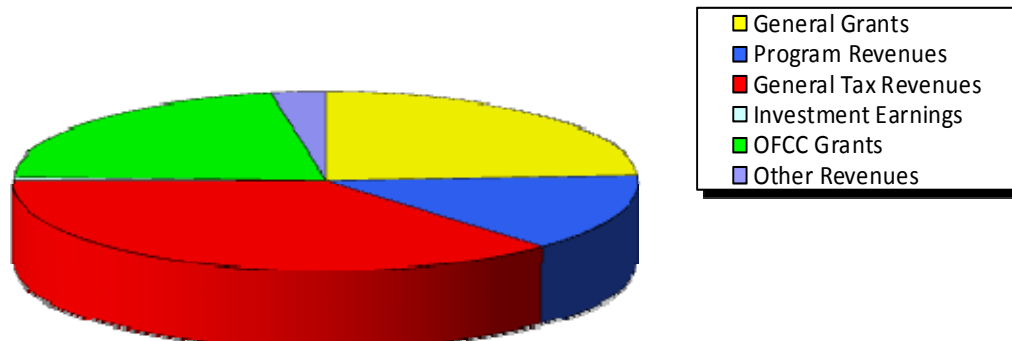
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner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

**Miami Trace Local School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)**

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Thus, Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 37% of revenue for governmental activities for the District in fiscal year 2016.

	2016	Percentage
General Grants	\$11,498,545	24.00%
Program Revenues	6,646,929	13.87%
General Tax Revenues	17,772,881	37.10%
Investment Earnings	329,458	0.69%
OFCC Grants	10,320,050	21.54%
Other Revenues	1,342,612	2.80%
	<u>\$47,910,475</u>	<u>100.00%</u>



Instruction comprises 51% of governmental program expenses. Support services expenses were 36% of governmental program expenses. All other expenses including interest expense were 13%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Charges for Services decreased mainly due to a decrease in collections for tuition and fees throughout the District. Total expenses increased in 2016 due to an increase in interest expense and bond issuance costs.

**Governmental Activities**

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

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**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)**

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$16,330,244	\$16,374,760	(\$11,861,074)	(\$11,705,730)
Support Services:				
Pupil and Instructional Staff	2,917,455	2,901,642	(2,692,879)	(2,597,709)
School Administrative, General				
Administration, Fiscal and Business	3,927,069	3,619,524	(3,763,711)	(3,451,098)
Operations and Maintenance	2,310,333	2,400,315	(2,230,227)	(2,336,303)
Pupil Transportation	2,227,500	2,254,086	(2,095,750)	(2,100,416)
Central	175,854	145,725	(170,454)	(140,325)
Operation of Non-Instructional Services	1,270,512	1,227,654	(92,914)	(83,501)
Extracurricular Activities	667,793	607,744	(272,822)	(268,834)
Interest and Fiscal Charges	1,897,345	1,226,823	(1,897,345)	(1,226,823)
Bond Issuance Cost	432,456	0	(432,456)	0
Total Expenses	<u>\$32,156,561</u>	<u>\$30,758,273</u>	<u>(\$25,509,632)</u>	<u>(\$23,910,739)</u>

**The District's Funds**

The District has two major governmental funds: the General Fund and Classroom Facilities Fund. Assets of the major funds comprised \$65,334,902 (77%) of the total \$85,122,360 governmental fund assets.

**General Fund:** Fund balance at June 30, 2016 was \$18,946,905, an increase in fund balance of \$3,205,656 from 2015. The fund balance increased during the fiscal year due to an increase in property tax and intergovernmental revenues.

**Classroom Facilities Fund:** Fund balance at June 30, 2016 was \$24,540,073, an increase in fund balance of \$24,540,073 from 2015. The fund balance increased during the fiscal year due to a transfer of capital debt proceeds from the Debt Service.

**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 when needed, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

**Miami Trace Local School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)**

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For the General Fund, final budgeted basis revenue was \$28,293,037, compared to original budgeted estimates of \$25,825,715. Of the \$2,467,322 difference, most was changes to circumstances for tax, tuition and fees, and intergovernmental revenue. Actual budget basis revenue was \$27,918,408, compared to final budgeted basis revenue was \$28,293,037. Of the \$374,629 difference, most was due to changes in circumstances, tuition and fees, and intergovernmental revenue. Actual budget basis expenditures were \$26,339,660, compared to final budgeted basis expenditures of \$27,212,675. Of the \$873,015 difference, most was due to changes in circumstances in instruction expenditures. Final budgeted basis expenditures were \$27,212,675, compared to original budgeted basis expenditures of \$25,973,965. Of the \$1,238,710 difference, most was due to changes in circumstances in instruction expenditures.

The General Fund’s ending unobligated cash balance was \$11,155,811.

**Capital Assets and Debt Administration**

**Capital Assets**

At fiscal year end, the District had \$44,030,976 invested in land, construction in progress, land improvements, buildings and improvements and equipment. Table 4 shows fiscal year 2016 balances compared to fiscal year 2015:

Table 4  
Capital Assets at June 30  
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$1,111,092	\$1,111,092
Construction in Progress	876,493	0
Land Improvements	358,283	407,198
Buildings and Improvements	39,621,254	41,496,184
Equipment	<u>2,063,854</u>	<u>1,760,608</u>
Total Net Capital Assets	<u><u>\$44,030,976</u></u>	<u><u>\$44,775,082</u></u>

The decrease in capital assets from the prior year is due to current fiscal year additions being less than current year depreciation expense.

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

**Debt**

At June 30, 2016, the District had \$59,127,946 in bonds payable, \$894,436 due within one year. Table 5 summarizes bonds outstanding at year end.



**Miami Trace Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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Table 5  
Outstanding Debt, at Year End

	<u>2016</u>	<u>2015</u>
<b>Governmental Activities:</b>		
General Obligation Bonds Payable:		
2006 Bond Issue 4.00%	\$0	\$425,000
2008 School Improvement Bonds:		
Current Interest - 4.00-5.25%	0	275,000
Capital Appreciation	76,401	76,401
Capital Appreciation Accreted Interest	266,882	208,099
2009 School Improvements Bonds:		
Current Interest - 4.00-5.25%	150,000	155,000
Capital Appreciation	34,999	34,999
Capital Appreciation Accreted Interest	192,048	164,005
2013 School Improvement Bonds:		
Current Interest - 1.00-4.00%	9,165,000	9,165,000
Capital Appreciation	32,454	54,994
Capital Appreciation Accreted Interest	105,541	88,229
Premium	587,421	620,056
2014 School Improvement Bonds:		
Current Interest - 1.00-3.00%	4,720,000	4,810,000
Capital Appreciation	4,995	4,995
Capital Appreciation Accreted Interest	215,758	35,566
Premium	443,345	492,605
2015 Refunding Bonds:		
Current Interest - 1.00-4.00%	6,125,000	6,225,000
Capital Appreciation	49,994	49,994
Capital Appreciation Accreted Interest	66,212	13,009
Premium	936,494	981,089
2015 Refunding Bonds:		
Current Interest - 1.00-4.00%	1,280,000	1,305,000
Capital Appreciation	10,542	10,542
Capital Appreciation Accreted Interest	11,239	2,779
Premium	378,442	400,703
2015 Refunding Bonds:		
Current Interest - 1.00-4.00%	2,220,000	2,260,000
Capital Appreciation	24,994	24,994
Capital Appreciation Accreted Interest	26,632	6,579
Premium	372,439	395,716
2016 School Improvement Bonds	29,610,000	0
Premium	2,021,114	0
	<u>\$59,127,946</u>	<u>\$28,285,354</u>

**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)**

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See note 7 in the notes to the basic financial statements for further details on the District's outstanding debt.

**For the Future**

The District has committed itself to financial excellence. With careful planning and monitoring of the District's finances and state and local financial support, management is confident that the District can continue to provide a quality education for its students and provide a secure financial future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debbie L. Black, Treasurer/CFO at Miami Trace Local School District, 3818 SR 41 NW, Washington C. H., Ohio 43160 or e-mail at [dblack@mveca.org](mailto:dblack@mveca.org).

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Miami Trace Local School District  
Statement of Net Position  
June 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$52,702,028
Restricted Cash and Investments	1,291,336
Equity in Pooled Cash and Investments with Fiscal Agent	3,041,464
Receivables (Net):	
Taxes	16,712,810
Accounts	11,339
Interest	32,632
Intergovernmental	11,317,832
Prepays	9,043
Inventory	3,380
Nondepreciable Capital Assets	1,987,585
Depreciable Capital Assets, Net	<u>42,043,391</u>
 Total Assets	 <u>129,152,840</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding	2,643,260
Pension	<u>3,624,043</u>
 Total Deferred Outflows of Resources	 <u>6,267,303</u>
Liabilities:	
Accounts Payable	109,999
Accrued Wages and Benefits	2,796,304
Contracts Payable	136,483
Accrued Interest Payable	178,959
Claims Payable	446,600
Long-Term Liabilities:	
Due Within One Year	1,311,751
Due In More Than One Year	
Net Pension Liability	34,150,254
Other Amounts	<u>58,804,035</u>
 Total Liabilities	 <u>97,934,385</u>
Deferred Inflows of Resources:	
Property Taxes	9,565,067
Revenue in Lieu of Taxes	479,653
Pension	<u>2,152,530</u>
 Total Deferred Inflows of Resources	 <u>12,197,250</u>
Net Position:	
Net Investment in Capital Assets	17,521,184
Restricted for:	
Debt Service	4,917,510
Capital Projects	13,172,014
Classroom Facilities Maintenance	3,242,691
Federal Grants	336,253
Food Service	217,435
Other Purposes	83,425
Unrestricted (Deficit)	<u>(14,202,004)</u>
 Total Net Position	 <u>\$25,288,508</u>

See accompanying notes to the basic financial statements.

Miami Trace Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$11,117,966	\$2,254,758	\$881,068	(\$7,982,140)
Special	2,810,861	88,415	996,428	(1,726,018)
Vocational	177,811	0	12,199	(165,612)
Other	2,223,606	0	236,302	(1,987,304)
<b>Support Services:</b>				
Pupil	1,870,865	0	176,058	(1,694,807)
Instructional Staff	1,046,590	0	48,518	(998,072)
General Administration	25,983	0	10,766	(15,217)
School Administration	2,806,506	575	143,191	(2,662,740)
Fiscal	948,285	0	8,826	(939,459)
Business	146,295	0	0	(146,295)
Operations and Maintenance	2,310,333	9,218	70,888	(2,230,227)
Pupil Transportation	2,227,500	57,887	73,863	(2,095,750)
Central	175,854	0	5,400	(170,454)
Operation of Non-Instructional Services	1,270,512	467,269	710,329	(92,914)
Extracurricular Activities	667,793	394,971	0	(272,822)
Interest and Fiscal Charges	1,897,345	0	0	(1,897,345)
Bond Issuance Cost	432,456	0	0	(432,456)
<b>Totals</b>	<b>\$32,156,561</b>	<b>\$3,273,093</b>	<b>\$3,373,836</b>	<b>(25,509,632)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	13,196,731
Capital Maintenance Purposes	568,335
Debt Service Purposes	3,473,606
Capital Projects Purposes	534,209
Grants and Entitlements, Not Restricted	11,498,545
Revenue in Lieu of Taxes	473,696
Investment Earnings	329,458
Grants and Entitlements for Capital Construction	10,320,050
Other Revenues	868,916

Total General Revenues 41,263,546

Change in Net Position 15,753,914

Net Position - Beginning of Year 9,534,594

Net Position - End of Year \$25,288,508

See accompanying notes to the basic financial statements.

Miami Trace Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$12,736,067	\$24,649,863	\$15,316,098	\$52,702,028
Restricted Cash and Investments	1,291,336	0	0	1,291,336
Equity in Pooled Cash and Investments with Fiscal Agent	3,041,464	0	0	3,041,464
<b>Receivables (Net):</b>				
Taxes	12,882,827	0	3,829,983	16,712,810
Accounts	3,614	0	7,725	11,339
Interest	32,632	0	0	32,632
Intergovernmental	368,312	10,320,050	629,470	11,317,832
Interfund	496	0	0	496
Prepays	8,241	0	802	9,043
Inventory	0	0	3,380	3,380
<b>Total Assets</b>	<b><u>30,364,989</u></b>	<b><u>34,969,913</u></b>	<b><u>19,787,458</u></b>	<b><u>85,122,360</u></b>
<b>Liabilities:</b>				
Accounts Payable	99,710	0	10,289	109,999
Accrued Wages and Benefits	2,531,073	0	265,231	2,796,304
Compensated Absences	80,263	0	9,062	89,325
Contracts Payable	5,287	109,790	21,406	136,483
Interfund Payable	0	0	496	496
Claims Payable	446,600	0	0	446,600
<b>Total Liabilities</b>	<b><u>3,162,933</u></b>	<b><u>109,790</u></b>	<b><u>306,484</u></b>	<b><u>3,579,207</u></b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	7,888,283	0	2,075,997	9,964,280
Grants	0	10,320,050	298,379	10,618,429
Revenue in Lieu of Taxes	358,477	0	121,176	479,653
Investment Earnings	8,391	0	0	8,391
<b>Total Deferred Inflows of Resources</b>	<b><u>8,255,151</u></b>	<b><u>10,320,050</u></b>	<b><u>2,495,552</u></b>	<b><u>21,070,753</u></b>
<b>Fund Balances:</b>				
Nonspendable	8,241	0	802	9,043
Restricted	0	24,540,073	16,002,857	40,542,930
Committed	1,291,336	0	982,028	2,273,364
Assigned	1,123,634	0	0	1,123,634
Unassigned	16,523,694	0	(265)	16,523,429
<b>Total Fund Balances</b>	<b><u>18,946,905</u></b>	<b><u>24,540,073</u></b>	<b><u>16,985,422</u></b>	<b><u>60,472,400</u></b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b><u>\$30,364,989</u></b>	<b><u>\$34,969,913</u></b>	<b><u>\$19,787,458</u></b>	<b><u>\$85,122,360</u></b>

See accompanying notes to the basic financial statements.

Miami Trace Local School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2016

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Total Governmental Fund Balance		\$60,472,400
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		44,030,976
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	399,213	
Interest	8,391	
Intergovernmental	<u>10,618,429</u>	
		11,026,033
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(178,959)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(898,515)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		2,643,260
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	3,624,043	
Deferred inflows of resources related to pensions	<u>(2,152,530)</u>	
		1,471,513
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(34,150,254)	
Other Amounts	<u>(59,127,946)</u>	
		<u>(93,278,200)</u>
Net Position of Governmental Activities		<u><u>\$25,288,508</u></u>

See accompanying notes to the basic financial statements.

Miami Trace Local School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2016

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$13,247,084	\$0	\$4,546,539	\$17,793,623
Tuition and Fees	2,329,886	0	0	2,329,886
Investment Earnings	213,621	68,317	45,099	327,037
Intergovernmental	12,488,848	689,388	2,377,279	15,555,515
Extracurricular Activities	134,042	0	296,888	430,930
Charges for Services	670	0	511,608	512,278
Revenue in Lieu of Taxes	384,886	0	88,810	473,696
Other Revenues	146,109	0	13,590	159,699
<b>Total Revenues</b>	<b>28,945,146</b>	<b>757,705</b>	<b>7,879,813</b>	<b>37,582,664</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	9,717,108	0	457,593	10,174,701
Special	2,396,322	0	256,871	2,653,193
Vocational	76,252	0	0	76,252
Other	2,013,663	0	214,751	2,228,414
<b>Support Services:</b>				
Pupil	1,623,983	0	176,181	1,800,164
Instructional Staff	881,818	0	79,124	960,942
General Administration	26,287	0	0	26,287
School Administration	2,388,455	0	153,594	2,542,049
Fiscal	827,885	0	96,183	924,068
Business	142,955	0	0	142,955
Operations and Maintenance	2,058,227	0	117,565	2,175,792
Pupil Transportation	1,857,788	0	581,505	2,439,293
Central	170,454	0	5,400	175,854
Operation of Non-Instructional Services	124,793	0	1,222,053	1,346,846
Extracurricular Activities	311,585	0	378,112	689,697
Capital Outlay	60,080	722,509	158,570	941,159
<b>Debt Service:</b>				
Principal Retirement	0	0	982,540	982,540
Interest and Fiscal Charges	0	0	1,438,041	1,438,041
Bond Issuance Cost	0	0	432,456	432,456
<b>Total Expenditures</b>	<b>24,677,655</b>	<b>722,509</b>	<b>6,750,539</b>	<b>32,150,703</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,267,491</b>	<b>35,196</b>	<b>1,129,274</b>	<b>5,431,961</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	23,190	0	0	23,190
Issuance of Long-Term Capital-Related Debt	0	0	29,610,000	29,610,000
Premium on Bonds Sold	0	0	2,021,114	2,021,114
Transfers In	0	24,504,877	7,585,025	32,089,902
Transfers (Out)	(1,085,025)	0	(31,004,877)	(32,089,902)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,061,835)</b>	<b>24,504,877</b>	<b>8,211,262</b>	<b>31,654,304</b>
<b>Net Change in Fund Balance</b>	<b>3,205,656</b>	<b>24,540,073</b>	<b>9,340,536</b>	<b>37,086,265</b>
<b>Fund Balance - Beginning of Year</b>	<b>15,741,249</b>	<b>0</b>	<b>7,644,886</b>	<b>23,386,135</b>
<b>Fund Balance - End of Year</b>	<b>\$18,946,905</b>	<b>\$24,540,073</b>	<b>\$16,985,422</b>	<b>\$60,472,400</b>

See accompanying notes to the basic financial statements.

Miami Trace Local School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balance - Total Governmental Funds \$37,086,265

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

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

Capital assets used in governmental activities	1,589,878	
Depreciation Expense	<u>(2,309,763)</u>	(719,885)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (24,221)

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

Contractually required district pension contributions	2,009,148	
Pension Expense	<u>(1,712,762)</u>	296,386

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

Delinquent Property Taxes	(20,741)	
Interest	8,391	
Intergovernmental	20,111	
Other Recievable	<u>10,320,050</u>	10,327,811

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as other financing sources and uses.

Premium on Bonds Issued		(2,021,114)
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Repayment of bond principal and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,035,000

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. (99,991)

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

Compensated Absences	(104,564)	
Amortization of Bond Premium	172,028	
Amortization of Deferred Charge on Refunding	(165,295)	
Bond Accretion	<u>(418,506)</u>	(516,337)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (29,610,000)

Change in Net Position of Governmental Activities \$15,753,914

See accompanying notes to the basic financial statements.



Miami Trace Local School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	\$463,607	\$125,454
Receivables (Net):		
Accounts	<u>          0</u>	<u>          696</u>
Total Assets	<u>          463,607</u>	<u>          126,150</u>
Liabilities:		
Accounts Payable	12	36,611
Other Liabilities	<u>          0</u>	<u>          89,539</u>
Total Liabilities	<u>          12</u>	<u>          \$126,150</u>
Net Position:		
Held in Trust	<u>          463,595</u>	
Total Net Position	<u>          \$463,595</u>	

See accompanying notes to the basic financial statements.

Miami Trace Local School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2016

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	<u>Private Purpose Trust</u>
Additions:	
Donations	\$77,130
Investment Earnings	<u>1,335</u>
Total Additions	<u>78,465</u>
Deductions:	
Scholarships	<u>59,998</u>
Total Deductions	<u>59,998</u>
Change in Net Position	18,467
Net Position - Beginning of Year	<u>445,128</u>
Net Position - End of Year	<u><u>\$463,595</u></u>

See accompanying notes to the basic financial statements.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 1 - Description of the District**

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July 1, 1955 was a historical date in Fayette County. The Miami Trace School District (the "District") was officially formed when the eight school districts of Concord, Green, Jasper, Madison, Marion, Perry, Union and Wayne merged. On January 1, 1956, with the addition of the districts of Bloomingburg, Jefferson and Paint, Miami Trace Local and Fayette County School Districts became one district encompassing almost all of Fayette County exclusive of the Washington Court House City School District. On February 10, 1958, after receiving a petition signed by almost 95% of the voters of the New Holland School District, the State Board of Education transferred the New Holland District into Miami Trace completing the consolidation of the twelve local districts that now make up Miami Trace.

Miami Trace covers 401 square miles, much of which is reputed to be among the most productive farmland in the state. The District's geographical size ranks among the top five in Ohio. At the present time, approximately 2,500 students attend one elementary school, one middle school and one comprehensive high school.

The District operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's instructional and support facilities staffed by 143 non-certificated personnel and 190 certificated teaching and administrative personnel to provide services to students and other community members.

**Reporting Entity**

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

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

The District is associated with four jointly governed organizations. These organizations are discussed in the notes to the basic financial statements. These organizations are:

MVECA  
South Central Ohio Insurance Consortium  
Hopewell  
Great Oaks Career Campuses

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

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

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Measurement Focus**

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

The private purpose trust fund is reported using the economic resources measurement focus.

**Fund Accounting**

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

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

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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

Classroom Facilities – A fund provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipment of classroom facilities.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a private purpose trust fund which accounts for scholarship programs for students. The District also has a student activity agency fund, which accounts for assets and liabilities generated by student managed activities. The student activities consist of a student body, student president, student treasurer and a faculty advisor.

**Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

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

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

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources for the District includes a deferred charge on the refunding on its bonds and pension.

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

Expenses/Expenditures

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

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

**Equity In Pooled Cash Investments**

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

The District participates in a self funded health insurance program that pays employees health insurance claims on the District's behalf. The balance of the District's funds held by the claims administrator and the fiscal agent at June 30, 2016 is presented as "Equity in Pooled Cash and Investments with Fiscal Agent" on the balance sheet.

Monies for all funds were maintained in various bank accounts or were temporarily used to purchase short-term cash equivalent investments. Under existing Ohio statutes, earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, food service and those funds individually authorized by board resolution.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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During fiscal year 2016, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2016 amounted to \$213,621 for the General Fund, \$68,317 for the Classroom Facilities Fund, and \$45,099 for Other Governmental Funds.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of food held for resale.

**Capital Assets**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-25 years
Buildings and Improvements	20-40 years
Equipment	3-15 years

**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.

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off

**Miami Trace Local School District**  
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or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

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

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	10-20 days for each service year depending on length of service	10-20 days for each service year depending on length of service
Maximum Accumulation for Retirement Payout	Not Eligible	3 years accrual	40 days
Vested	Not Eligible	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	229 days	Per Contract Days	219 days
Termination Entitlement	Per Contract	Per Contract	Per Contract

**Net Position**

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



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or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$19,305,709 in restricted net position, none was restricted by enabling legislation.

**Interfund Activity**

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities columns of the statement of net position. There were no interfund receivables or interfund payables during the fiscal year.

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

**Fund Balance**

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

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

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

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education. Formal action by the Board of Education is needed to commit or rescind resources.

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

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a

**Miami Trace Local School District**  
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deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

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

During fiscal year 2014 the Board of Education passed a two-part fiscal policy that stated:

- Reservation of Fund Balance for Fiscal Stabilization at fiscal year-end pursuant to O.R.C. Section 5705.13 equal to 5% of prior fiscal year general fund revenues (excluding other financing sources). This reservation total includes the currently established Budget Reserve Fund 001/9991 and Budget Reserve – Health Insurance Fund 001/9108. Further, amendment of the reservation requires board action. Funds can only be spent on health insurance. The balance for these funds/cost centers for fiscal year 2016 is \$1,291,336.
- Fiscal policy to maintain a minimum carryover balance for the succeeding fiscal year an unencumbered and unassigned general fund balance equal to two months of prior fiscal year average monthly general fund expenditures (excluding other financing uses). Further, amendment of this policy requires board action.

**Restricted Assets**

Restricted assets in the General Fund represent equity in pooled cash and investments set aside to establish a health insurance budget stabilization for health and prescription drug benefits for the District.

**Estimates**

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

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

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

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

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

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

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Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2016, \$5,904,855 of the District’s bank balance of \$13,901,649 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

The District participates in a self-funded health insurance program that pays employees health insurance claims on the District’s behalf. The balance of the District’s funds held by the claims administrator and the fiscal agent at June 30, 2016 was \$3,041,464 (presented as “Equity in Pooled Cash and Investments with Fiscal Agent” on the balance sheet).

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**Investments**

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

	<u>Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$750,000	N/A	0.00
Star Ohio	6,376,937	N/A	0.13
Negotiable CDs	32,404,125	Level 2	1.25
Federal Home Loan Bank	<u>1,500,540</u>	Level 2	1.32
	<u>\$41,031,602</u>		
Portfolio Weighted Average Maturity			1.05

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. Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources, as provided by the investment managers. Level 3 inputs are significant unobservable inputs. The above table identifies the District’s recurring fair value measurements as of June 30, 2016. STAR Ohio is reported at its share price.

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

**Credit Risk** – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Bank were rated AA+ by

**Miami Trace Local School District**  
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**For The Fiscal Year Ended June 30, 2016**

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Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Investments in STAR Ohio were rated AAAM by Standard & Poor’s. Negotiable CDs and Money Market Funds are not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 2% of the District’s investments in Money Market Funds, 15% in STAR Ohio, 79% in Negotiable CDs, and 4% in Federal Home Loan Bank.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

**Note 4 - Property Taxes**

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Fayette 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 for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2016. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The amount available as an advance at June 30, 2016, was \$4,994,544 in the General Fund and \$1,753,986 in Other Governmental Funds.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$511,054,450
Public Utility Personal	<u>82,799,730</u>
Total	<u><u>\$593,854,180</u></u>

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 5 – Receivables**

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Receivables at June 30, 2016, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**Note 6 - Capital Assets**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$1,111,092	\$0	\$0	\$1,111,092
Construction in Progress	0	876,493	0	876,493
<b><i>Capital Assets, being depreciated:</i></b>				
Land Improvements	1,070,810	0	0	1,070,810
Buildings and Improvements	55,443,059	0	0	55,443,059
Equipment	4,798,259	713,385	135,907	5,375,737
Totals at Historical Cost	<u>62,423,220</u>	<u>1,589,878</u>	<u>135,907</u>	<u>63,877,191</u>
Less Accumulated Depreciation:				
Land Improvements	663,612	48,915	0	712,527
Buildings and Improvements	13,946,875	1,874,930	0	15,821,805
Equipment	3,037,651	385,918	111,686	3,311,883
Total Accumulated Depreciation	<u>17,648,138</u>	<u>2,309,763</u>	<u>111,686</u>	<u>19,846,215</u>
Governmental Activities Capital Assets, Net	<u>\$44,775,082</u>	<u>(\$719,885)</u>	<u>\$24,221</u>	<u>\$44,030,976</u>

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**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,089,202
Special	190,969
Vocational	102,768
Support Services:	
Pupil	130,227
Instructional Staff	70,196
School Administration	217,333
Fiscal	8,547
Business	2,226
Operations and Maintenance	208,576
Pupil Transportation	278,705
Operation of Non-Instructional Services	10,376
Extracurricular Activities	638
Total Depreciation Expense	<u>\$2,309,763</u>

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**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

**Note 7 - Long-Term Liabilities**

	Maturity Dates	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>						
General Obligation Bonds Payable:						
2006 Bond Issue 4.00%	12/01/2024	425,000	\$0	\$425,000	\$0	\$0
2008 School Improvement Bonds:						
Current Interest - 4.00-5.25%	12/01/2036	275,000	0	275,000	0	0
Capital Appreciation		76,401	0	0	76,401	30,635
Capital Appreciation Accreted Interest		208,099	58,783	0	266,882	0
2009 School Improvements Bonds:						
Current Interest - 4.00-5.25%	12/01/2031	155,000	0	5,000	150,000	150,000
Capital Appreciation		34,999	0	0	34,999	0
Capital Appreciation Accreted Interest		164,005	28,043	0	192,048	0
2013 School Improvement Bonds:						
Current Interest - 1.00-4.00%	12/01/2033	9,165,000	0	0	9,165,000	0
Capital Appreciation		54,994	0	22,540	32,454	13,806
Capital Appreciation Accreted Interest		88,229	69,772	52,460	105,541	0
Premium		620,056	0	32,635	587,421	0
2014 School Improvement Bonds:						
Current Interest - 1.00-3.00%	12/01/2024	4,810,000	0	90,000	4,720,000	75,000
Capital Appreciation		4,995	0	0	4,995	4,995
Capital Appreciation Accreted Interest		35,566	180,192	0	215,758	0
Premium		492,605	0	49,260	443,345	0
2015 Refunding Bonds:						
Current Interest - 1.00-4.00%	12/01/2036	6,225,000	0	100,000	6,125,000	85,000
Capital Appreciation		49,994	0	0	49,994	0
Capital Appreciation Accreted Interest		13,009	53,203	0	66,212	0
Premium		981,089	0	44,595	936,494	0
2014B Refunding Bonds:						
Current Interest - 1.00-4.00%	12/01/2032	1,305,000	0	25,000	1,280,000	20,000
Capital Appreciation		10,542	0	0	10,542	0
Capital Appreciation Accreted Interest		2,779	8,460	0	11,239	0
Premium		400,703	0	22,261	378,442	0
2014B Refunding Bonds:						
Current Interest - 1.00-4.00%	12/01/2031	2,260,000	0	40,000	2,220,000	35,000
Capital Appreciation		24,994	0	0	24,994	0
Capital Appreciation Accreted Interest		6,579	20,053	0	26,632	0
Premium		395,716	0	23,277	372,439	0
2016 School Improvement Bonds:						
Current Interest - 2.00-5.00%	12/01/2052	0	29,610,000	0	29,610,000	480,000
Premium		0	2,021,114	0	2,021,114	0
Total Long Term Debt		28,285,354	32,049,620	1,207,028	59,127,946	894,436
Net Pension Liability:						
STRS		23,939,184	3,313,226	0	27,252,410	0
SERS		5,904,046	993,798	0	6,897,844	0
Total Net Pension Liability		29,843,230	4,307,024	0	34,150,254	0
Compensated Absences		820,239	422,605	255,004	987,840	417,315
Total Governmental Activities Long Term Liabilities		<u>\$58,948,823</u>	<u>\$36,779,249</u>	<u>\$1,462,032</u>	<u>\$94,266,040</u>	<u>\$1,311,751</u>



**Miami Trace Local School District**  
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General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Bonds were issued for the purpose of paying the District's local share of the building construction and improvements under the State of Ohio Classroom Facilities Assistance Program.

In 2016, the District issued long-term general obligation bonds in the amount of \$29,610,000 for the purpose of building a new high school. The bonds will be retired in 2053.

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

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$845,000	\$1,656,413	\$2,501,413	\$49,436	\$175,565	\$225,001
2018	975,000	1,639,100	2,614,100	81,690	448,310	530,000
2019	1,005,000	1,620,463	2,625,463	57,452	472,548	530,000
2020	1,035,000	1,598,520	2,633,520	33,544	546,456	580,000
2021	1,260,000	1,573,114	2,833,114	10,127	359,873	370,000
2022-2026	8,580,000	7,216,699	15,796,699	1,838	503,162	505,000
2027-2031	10,285,000	6,072,749	16,357,749	292	774,707	774,999
2032-2036	9,580,000	4,932,831	14,512,831	0	0	0
2037-2041	4,860,000	3,675,619	8,535,619	0	0	0
2042-2046	5,300,000	2,632,875	7,932,875	0	0	0
2047-2051	6,525,000	1,338,050	7,863,050	0	0	0
2052-2053	3,020,000	122,000	3,142,000	0	0	0
Total	<u>\$53,270,000</u>	<u>\$34,078,433</u>	<u>\$87,348,433</u>	<u>\$234,379</u>	<u>\$3,280,621</u>	<u>\$3,515,000</u>

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

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In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2016, \$24,245,905 of bonds outstanding are considered defeased.

**Note 9 - Defined Benefit Pension Plans**

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**Net Pension Liability**

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

The net pension liability represents the 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.

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**Notes to the Basic Financial Statements**  
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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.

**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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 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, 2.5 percent for years of service credit over 30 or \$86.00 multiplied by the years of service credit. 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

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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 allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$534,384 for fiscal year 2016. Of this amount \$63,661 is reported as accrued wages and benefits.

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

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

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 increased 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.

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

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

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

The District’s contractually required contribution to STRS was \$1,474,764 for fiscal year 2016. Of this amount \$246,960 is reported as accrued wages and benefits.

**Net Pension Liability**

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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$6,897,844	\$27,252,410	\$34,150,254
Proportion of the Net Pension Liability	0.12088550%	0.09860816%	
Pension Expense	472,579	1,240,183	1,712,762

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$109,248	\$1,241,925	\$1,351,173
Differences between contributions and proportionate share of contributions	33,681	0	33,681
Changes in employer proportionate share of net pension liability	187,039	43,002	230,041
District contributions subsequent to the measurement date	<u>534,384</u>	<u>1,474,764</u>	<u>2,009,148</u>
Total Deferred Outflows of Resources	<u>\$864,352</u>	<u>\$2,759,691</u>	<u>\$3,624,043</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$193,831	\$1,931,502	\$2,125,333
Differences between contributions and proportionate share of contributions	<u>0</u>	<u>7,197</u>	<u>7,197</u>
Total Deferred Inflows of Resources	<u>\$193,831</u>	<u>\$1,938,699</u>	<u>\$2,132,530</u>

\$2,009,148 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:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	(\$1,054)	(\$424,607)	(\$425,661)
2018	(1,056)	(424,608)	(425,664)
2019	(1,561)	(424,608)	(426,169)
2020	<u>139,808</u>	<u>620,051</u>	<u>759,859</u>
Total	<u>\$136,137</u>	<u>(\$653,772)</u>	<u>(\$517,635)</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

**Miami Trace Local School District**  
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subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$9,564,831	\$6,897,844	\$4,652,021

**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:

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**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
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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, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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

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

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

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

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



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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$37,855,655	\$27,252,411	\$18,285,787

**Note 10 - Post Employment Benefits**

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***School Employees Retirement System***

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

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

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 the year ended June 30, 2016, the health care allocation is 0%. 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 \$64,498.

**Miami Trace Local School District**  
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The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$90,043, and \$64,346, respectively. For fiscal year 2016, 100 percent has been contributed. The full amount has been contributed for fiscal years 2015 and 2014.

***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, 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 \$101,671, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**Note 11 - Contingent Liabilities**

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**Foundation Funding**

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

**Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Litigation**

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

**Note 12 - Jointly Governed Organizations**

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The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium A-site used by the District. MVECA is an association of 25 public school districts in a geographic area determined by the Ohio Department of Education. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District paid MVECA \$179,831 for services provided during the year. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under the Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees. Financial information can be obtained from the offices of the Consortium's fiscal agent, Liberty-Union Thurston Local School District, 621 Washington Street, Baltimore, Ohio 43105.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Eighteen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board. The governing board is made up of retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and federal and state grants. To obtain financial information write to the Center's fiscal agent, Southern Ohio Educational Service Center, 3321 Airborne Rd., Wilmington, OH 45177.

Great Oaks Career Campuses (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board. Each district must appoint a representative to the Great Oaks board; the representative does not have to be a school board member, but must meet certain criteria per law. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the District. The District has neither ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 13 - Risk Management**

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The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the precast of various types of liability, inland marine, and property insurance as a member of a school district risk-sharing pool (SORSA).

General liability insurance is maintained in the amount of \$15,000,000 for each occurrence and \$17,000,000 in the general aggregate. Other liability insurance includes \$15,000,000 for fleet liability, and \$1,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$83,920,891.

The District pays all elected and appointed officials' bonds by statute.

As a benefit for employees of the Miami Trace Local School District, the District makes available health, dental, and term life insurance for all qualifying employees who desire coverage. The District pays for a portion of the health and dental insurances. The District pays 100% of the term life insurance. The District pays 100% of single dental. The employee is responsible for the difference between a single and family plan. The District pays 100% of both single and family hospitalization for employees hired before September 1992 and 85% for employees hired after September 1992. The balance remaining on all employees' benefits are deducted through payroll.

The District provides a limited medical, surgical, prescription drug, and life insurance program for its employees through a self insured program. Claims are paid by the District to the South Central Ohio Insurance Consortium (SCOIC). SCOIC contracts with Employee Benefits Management Corporation (EBMC) to service the claims up to \$500,000 per individual. The District has a stop loss coverage insurance policy through Jefferson Health Plan (OME-RESA) which covered individual claims in excess of \$500,000 per employee per year for medical claims. The District had shared risk pool coverage with Jefferson Health Plan (OME-RESA) which covered individual claims in excess of \$75,000 up to \$500,000 per employee per year for medical claims.

The claims liability of \$446,600 reported in the general fund at June 30, 2016 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amounts of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

Fiscal Year	Beginning of Year Liability	Claims and Changes in Estimates	Claims Payments	End of Year Balance
2015	\$241,700	\$4,105,682	(\$4,146,282)	\$201,100
2016	201,100	4,735,082	(4,489,582)	446,600

**Miami Trace Local School District**  
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There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**Note 14 - Set-Asides**

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The District is required by State law to set aside certain general fund revenue amounts, as defined into various reserves. During the fiscal year ended June 30, 2016, the reserve activity (cash-basis) was as follows:

	Capital Maintenance Reserve
	<u>                    </u>
Balance as of June 30, 2015	\$0
Required Set-Aside	445,993
Qualifying Expenditures	(542,952)
Current Year Offsets	<u>(1,942,812)</u>
Balance as of June 30, 2016	<u><u>(\$2,039,771)</u></u>

Expenditures for capital activity during the year totaled \$542,952, which exceeded the amount required for set-aside. Although the District may have had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years.

**Note 15 - Interfund Transactions**

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Interfund transactions at June 30, 2016, consisted of the following transfers in and transfers out:

	Transfers In	Transfers Out
	<u>                    </u>	<u>                    </u>
General Fund	\$0	\$1,085,025
Classroom Facilities	\$24,504,877	\$0
Other Governmental Funds	<u>7,585,025</u>	<u>31,004,877</u>
	<u><u>\$32,089,902</u></u>	<u><u>\$32,089,902</u></u>

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**Note 16 – Fund Balances**

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Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Fund Balances	General	Debt Service	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Prepays	8,241	0	802	9,043
<b>Total Nonspendable</b>	<b>8,241</b>	<b>0</b>	<b>802</b>	<b>9,043</b>
<b>Restricted for:</b>				
Local Grants	\$0	\$0	\$11,024	\$11,024
Classroom Facilities Maintenance	0	0	3,231,334	3,231,334
Student Activity	0	0	68,592	68,592
Miscellaneous State Grants	0	0	49	49
Special Education	0	0	22,222	22,222
Title I	0	0	5,395	5,395
IDEA Preschool Grant	0	0	260	260
Miscellaneous Federal Grants	0	0	17,564	17,564
Food Service	0	0	224,131	224,131
Debt Service Payments	0	0	5,019,813	5,019,813
Building Fund	0	0	6,399,988	6,399,988
Capital Projects High School	0	0	1,002,485	1,002,485
Classroom Facilities	0	24,540,073	0	24,540,073
<b>Total Restricted</b>	<b>0</b>	<b>24,540,073</b>	<b>16,002,857</b>	<b>40,542,930</b>
<b>Committed to:</b>				
Health Insurance Budget Stabilization	1,291,336	0	0	1,291,336
Permanent Improvements	0	0	982,028	982,028
<b>Total Committed</b>	<b>1,291,336</b>	<b>0</b>	<b>982,028</b>	<b>2,273,364</b>
<b>Assigned to:</b>				
Encumbrances	1,064,126	0	0	1,064,126
Public School	59,508	0	0	59,508
<b>Total Assigned</b>	<b>1,123,634</b>	<b>0</b>	<b>0</b>	<b>1,123,634</b>
<b>Unassigned</b>	<b>16,523,694</b>	<b>0</b>	<b>(265)</b>	<b>16,523,429</b>
<b>Total Fund Balance</b>	<b>\$18,946,905</b>	<b>\$24,540,073</b>	<b>\$16,985,422</b>	<b>\$60,472,400</b>

**Note 17 – Implementation of New Accounting Principles**

For the fiscal year ended June 30, 2016, the District has implemented Governmental Accounting Standards Board (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*.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance. GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 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 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it 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.

**Note 18 – Subsequent Event**

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Effective July 1, 2016, the SCOIC is funding the shared risk pool coverage. The only association with Jefferson Health Plan is for the purchase of stop loss coverage.

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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Miami Trace Local School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$11,627,909	\$12,738,810	\$12,570,135	(\$168,675)
Revenue in lieu of taxes	356,036	390,051	384,886	(5,165)
Tuition and Fees	2,155,250	2,361,157	2,329,893	(31,264)
Investment Earnings	25,799	28,263	27,889	(374)
Intergovernmental	11,553,141	12,656,898	12,489,308	(167,590)
Extracurricular Activities	4,823	5,284	5,214	(70)
Charges for Services and Sales	620	679	670	(9)
Other Revenues	102,137	111,895	110,413	(1,482)
<b>Total Revenues</b>	<b>25,825,715</b>	<b>28,293,037</b>	<b>27,918,408</b>	<b>(374,629)</b>
Expenditures:				
Current:				
Instruction:				
Regular	10,278,415	10,768,597	10,423,128	345,469
Special	2,519,468	2,639,622	2,554,940	84,682
Vocational	80,156	83,979	81,285	2,694
Other	1,998,986	2,094,318	2,027,130	67,188
Support Services:				
Pupil	1,542,062	1,615,603	1,563,773	51,830
Instructional Staff	936,897	981,578	950,088	31,490
General Administration	25,922	27,158	26,287	871
School Administration	2,561,828	2,684,003	2,597,897	86,106
Fiscal	840,573	880,661	852,408	28,253
Business	143,492	150,335	145,512	4,823
Operations and Maintenance	2,375,572	2,488,864	2,409,018	79,846
Pupil Transportation	2,085,463	2,184,920	2,114,825	70,095
Central	174,155	182,461	176,607	5,854
Extracurricular Activities	315,366	330,406	319,806	10,600
Capital Outlay	95,610	100,170	96,956	3,214
<b>Total Expenditures</b>	<b>25,973,965</b>	<b>27,212,675</b>	<b>26,339,660</b>	<b>873,015</b>
Excess of Revenues Over (Under) Expenditures	(148,250)	1,080,362	1,578,748	498,386
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	21,452	23,501	23,190	(311)
Advances In	19,281	21,123	20,843	(280)
Transfers In	9,812	10,749	10,607	(142)
Transfers (Out)	(1,308,411)	(1,370,809)	(1,326,832)	43,977
<b>Total Other Financing Sources (Uses)</b>	<b>(1,257,866)</b>	<b>(1,315,436)</b>	<b>(1,272,192)</b>	<b>43,244</b>
Net Change in Fund Balance	(1,406,116)	(235,074)	306,556	541,630
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	10,849,255	10,849,255	10,849,255	0
<b>Fund Balance - End of Year</b>	<b>\$9,443,139</b>	<b>\$10,614,181</b>	<b>\$11,155,811</b>	<b>\$541,630</b>

See accompanying notes to the Required Supplementary Information.

**Miami Trace Local School District**  
**Notes to the Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2016**

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**Note 1 – Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2016.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

**Miami Trace Local School District**  
**Notes to the Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2016**

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

	Net Change in Fund Balance
	<u>General</u>
GAAP Basis	\$3,205,656
Revenue Accruals	(1,027,303)
Expenditure Accruals	(518,550)
Transfers In	10,607
Transfers (Out)	(241,807)
Advances In	20,843
Encumbrances	(1,143,290)
Funds Budgeted Elsewhere	<u>400</u>
Budget Basis	<u><u>\$306,556</u></u>

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Miami Trace Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Three Fiscal Years (1)

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.09860816%	0.09842014%	0.09842014%
District's Proportionate Share of the Net Pension Liability	\$27,252,411	\$23,939,184	\$28,439,405
District's Covered-Employee Payroll	\$10,368,257	\$10,829,346	\$10,977,415
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	262.84%	221.06%	259.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available

Miami Trace Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Three Fiscal Years (1)

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.12088550%	0.11665900%	0.11665900%
District's Proportionate Share of the Net Pension Liability	\$6,897,844	\$5,904,046	\$6,939,417
District's Covered-Employee Payroll	\$3,967,466	\$3,424,127	\$3,292,775
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	173.86%	172.42%	210.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) - Information prior to 2013 is not available

Miami Trace Local School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,474,764	\$1,451,556	\$1,407,815	\$1,427,064	\$1,412,808
Contributions in Relation to the Contractually Required Contribution	<u>(1,474,764)</u>	<u>(1,451,556)</u>	<u>(1,407,815)</u>	<u>(1,427,064)</u>	<u>(1,412,808)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$10,534,029	\$10,368,257	\$10,829,346	\$10,977,415	\$10,867,754
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007
\$1,404,228	\$1,484,316	\$1,564,272	\$1,544,748	\$1,470,084
(1,404,228)	(1,484,316)	(1,564,272)	(1,544,748)	(1,470,084)
\$0	\$0	\$0	\$0	\$0
\$10,801,754	\$11,417,815	\$12,032,862	\$11,882,677	\$11,308,338
13.00%	13.00%	13.00%	13.00%	13.00%

Miami Trace Local School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012
Contractually Required Contribution	\$534,384	\$522,912	\$474,584	\$469,560	\$485,088
Contributions in Relation to the Contractually Required Contribution	<u>(534,384)</u>	<u>(522,912)</u>	<u>(474,584)</u>	<u>(469,560)</u>	<u>(485,088)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$3,817,029	\$3,967,466	\$3,424,127	\$3,392,775	\$3,606,602
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%



2011	2010	2009	2008	2007
\$484,992	\$457,332	\$469,680	\$453,828	\$430,620
(484,992)	(457,332)	(469,680)	(453,828)	(430,620)
\$0	\$0	\$0	\$0	\$0
\$3,858,329	\$3,377,637	\$4,773,171	\$4,621,466	\$4,070,132
12.57%	13.54%	9.84%	9.82%	10.58%

Miami Trace Local School District  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2016

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	2016	10.555	\$ 64,110	64,110
<i>Cash Assistance:</i>				
School Breakfast Program	2016	10.553	160,783	160,783
National School Lunch Program	2016	10.555	<u>481,669</u>	<u>481,669</u>
<i>Cash Assistance Subtotal</i>			<u>642,452</u>	<u>642,452</u>
Nutrition Cluster Total			<u>706,562</u>	<u>706,562</u>
Total U.S. Department of Agriculture			<u>706,562</u>	<u>706,562</u>
<b>U.S. Department of Education:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	2015	84.010	61,200	105,419
Title I Grants to Local Educational Agencies	S010A150035	84.010	<u>465,010</u>	<u>483,732</u>
			<u>526,210</u>	<u>589,151</u>
Special Education Cluster:				
Special Education - Grants to States	2015	84.027	40,559	73,827
Special Education - Grants to States	H027A150111	84.027	483,469	470,392
Special Education - Preschool Grants	2015	84.173	500	1,239
Special Education - Preschool Grants	H173A150119	84.173	<u>14,185</u>	<u>14,121</u>
Special Education Cluster Total			<u>538,713</u>	<u>559,579</u>
Career and Technical Education	2016	84.048	<u>4,000</u>	<u>4,000</u>
Rural Education	2015	84.358	873	1,117
Rural Education	2016	84.358	<u>38,528</u>	<u>39,178</u>
			<u>39,401</u>	<u>40,295</u>
Improving Teacher Quality State Grants	2015	84.367	5,740	9,231
Improving Teacher Quality State Grants	S367A150034	84.367	<u>80,712</u>	<u>81,348</u>
			<u>86,452</u>	<u>90,579</u>
Total U.S. Department of Education			<u>1,194,776</u>	<u>1,283,604</u>
Total Federal Awards			\$ <u>1,901,338</u>	<u>1,990,166</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Miami Trace Local School District (the "School District") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed.

**NOTE D - NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Miami Trace Local School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District ("School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 21, 2016.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding number 2016-001 that we consider to be a significant deficiency.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **School District's Response to Findings**

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

## **Purpose of this Report**

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 21, 2016

## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE**

### **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Miami Trace Local School District:

#### **Report on Compliance for Each Major Federal Program**

We have audited Miami Trace Local School District's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditors' Responsibility***

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

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

#### ***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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## Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 21, 2016

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued :	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	none
Identification of major programs:	
<i>Nutrition Cluster:</i>	
<i>CFDA 10.553 – School Breakfast Program</i>	
<i>CFDA 10.555 – National School Lunch Program</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	yes

**Section II - Financial Statement Findings**

**Finding 2016-001 – Audit Adjustments**

During the course of our audit, we identified two misstatements in the financial statements for the year under audit that were not identified by the School District's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the School District's financial statements did not operate as designed and we consider this a significant deficiency.

Throughout the year, the School District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. One audit adjustment was necessary to properly report certain accounts associated with net pension liability. The other adjustment was necessary to reduce capital assets and contracts payable by \$3,014,317 for payables recorded for expenditures that were incurred subsequent to year end and thus, should not have been recorded as liabilities as of June 30, 2016.

We recommend the School District enhance its internal controls over financial reporting with steps such as management analysis of the financials compared to prior years and improved communication with its hired consultant to ensure the preparation of reliable financial statements in conformity with general accepted accounting principles.

***Management response:*** *Management concurs with the finding.*

### **Section III – Federal Award Findings and Questioned Costs**

**None**

### **Section IV – Schedule of Prior Audit Findings**

**None**





# Dave Yost • Auditor of State

MIAMI TRACE LOCAL SCHOOL DISTRICT

FAYETTE 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  
FEBRUARY 21, 2017