



Dave Yost • Auditor of State

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

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MORGAN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Morgan Local School District
Morgan County
65 W. Union Street
McConnelsville, Ohio 43756

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan Local School District, Morgan County, Ohio (the School District), as of and for the year ended June 30, 2015, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016

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Morgan Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

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

Financial Highlights

Key financial highlights for the fiscal year 2015 are as follows:

- Net position of governmental activities decreased \$1,632,572.
- General revenues accounted for \$19,415,487 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,225,669 or 21 percent of total revenues of \$24,641,156.
- The School District had \$26,273,728 in expenses related to governmental activities; only \$5,225,669 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$19,415,487 were not adequate to provide for these programs.
- The School District's three major funds were the General Fund, the Bond Retirement Debt Service Fund, and the School Facilities Capital Projects Fund. The General Fund's balance decreased \$227,333. The Bond Retirement Debt Service Fund's balance increased \$12,646. The School Facilities Capital Projects Fund's balance increased \$4,601.

Using this Annual Financial Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column.

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, and the School Facilities Capital Projects Fund.

Governmental Funds All of the School 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 fiscal 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 School District's general governmental 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 benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The School District uses the accrual basis of accounting to report fiduciary funds.

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

Table 1
 Net Position
 Governmental Activities

	2015	2014	Change
Assets			
Current and Other Assets	\$22,062,438	\$23,146,637	(\$1,084,199)
Capital Assets	36,049,986	37,199,354	(1,149,368)
Total Assets	<u>58,112,424</u>	<u>60,345,991</u>	<u>(2,233,567)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding Pension	134,256	152,345	(18,089)
	1,805,240	1,458,085	347,155
Total Deferred Outflows of Resources	<u>1,939,496</u>	<u>1,610,430</u>	<u>329,066</u>
Liabilities			
Current and Other Liabilities	2,855,794	2,545,630	310,164
Long-term Liabilities:			
Due Within One Year	678,547	700,972	(22,425)
Due in More Than One Year:			
Net Pension Liability	24,583,034	29,210,722	(4,627,688)
Other Amounts	7,579,129	8,247,356	(668,227)
Total Liabilities	<u>35,696,504</u>	<u>40,704,680</u>	<u>(5,008,176)</u>
Deferred Inflows of Resources			
Property Taxes	4,976,164	4,686,250	289,914
Pension	4,446,333	0	4,446,333
Total Deferred Inflows of Resources	<u>9,422,497</u>	<u>4,686,250</u>	<u>4,736,247</u>
Net Position			
Net Investment in Capital Assets	29,383,823	30,121,808	(737,985)
Restricted	6,346,071	7,064,640	(718,569)
Unrestricted	<u>(20,796,975)</u>	<u>(20,620,957)</u>	<u>(176,018)</u>
Total Net Position	<u><u>\$14,932,919</u></u>	<u><u>\$16,565,491</u></u>	<u><u>(\$1,632,572)</u></u>

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

During fiscal year 2015, the School District adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$44,318,128 to \$16,565,491.

Total assets decreased \$2,233,567. Capital assets decreased \$1,149,368 mainly from yearly depreciation exceeding current year additions. Intergovernmental receivables decreased \$1,007,494 mainly due to the completion of the Straight A grant combined with the timing of receipts for other grants. Prepaid items decreased \$164,698 as a result of only purchasing two buses at fiscal year 2015 year end compared to the four buses that were purchased at the end of fiscal year 2014. The School District did not gain possession of the buses that were purchased at the end of fiscal year 2015 until fiscal year 2016. These decreases were offset by an increase in property taxes receivable of \$234,241 during fiscal year 2015 due to an increase in the amounts certified to be collected by the respective county auditors.

Current and other liabilities increased \$310,164 due mainly to an increase in claims payable of \$258,119 and an increase in intergovernmental payable of \$86,527. The increase in claims payable is a result of the number of increased insurance claims for fiscal year 2015 compared to fiscal year 2014, as provided by the third party administrator of the School District self-insurance plan. These increases were offset by a decrease of \$54,399 in accounts payable.

Long-term liabilities, excluding the pension liability, decreased \$690,652 primarily due to the payment of debt.

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

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

Table 2
 Changes in Net Position
 Governmental Activities

	2015	2014	Change
Revenues			
Program Revenues			
Charges for Services	\$676,732	\$707,199	(\$30,467)
Operating Grants, Contributions and Interest	4,548,937	5,691,817	(1,142,880)
Total Program Revenues	<u>5,225,669</u>	<u>6,399,016</u>	<u>(1,173,347)</u>
General Revenues			
Property Taxes	5,287,512	5,331,027	(43,515)
Grants and Entitlements	13,976,794	14,180,355	(203,561)
Interest	45,827	48,005	(2,178)
Gift and Donations	5,000	10,000	(5,000)
Miscellaneous	92,054	66,764	25,290
Gain on Sale of Capital Assets	8,300	31,447	(23,147)
Total General Revenues	<u>19,415,487</u>	<u>19,667,598</u>	<u>(252,111)</u>
Total Revenues	<u>24,641,156</u>	<u>26,066,614</u>	<u>(1,425,458)</u>
Program Expenses			
Instruction:			
Regular	10,600,833	10,415,433	185,400
Special	3,665,082	3,523,844	141,238
Vocational	1,169,094	1,064,596	104,498
Intervention	310,026	180,556	129,470
Support Services:			
Pupils	943,144	763,735	179,409
Instructional Staff	446,458	438,516	7,942
Board of Education	91,303	103,460	(12,157)
Administration	1,942,306	1,836,471	105,835
Fiscal	795,773	777,515	18,258
Business	160,097	140,717	19,380
Operation and Maintenance of Plant	2,261,754	2,161,326	100,428
Pupil Transportation	1,881,745	2,538,393	(656,648)
Central	84,247	78,601	5,646
Operation of Non-Instructional Services:			
Food Service Operations	1,281,324	1,268,750	12,574
Extracurricular Activities	248,375	231,539	16,836
Interest and Fiscal Charges	392,167	414,918	(22,751)
Total Expenses	<u>26,273,728</u>	<u>25,938,370</u>	<u>335,358</u>
Increase (Decrease) in Net Position	(1,632,572)	128,244	(1,760,816)
Net Position Beginning of Year	16,565,491	N/A	N/A
Net Position End of Year	<u>\$14,932,919</u>	<u>\$16,565,491</u>	<u>(\$1,632,572)</u>

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

The information necessary to restate fiscal year 2014 beginning balances and fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$1,458,085 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, fiscal year 2015 statements report pension expense of \$1,045,061. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$26,273,728
Pension expense under GASB 68	(1,045,061)
2015 contractually required contribution	<u>1,573,571</u>
Adjusted 2015 program expenses	26,802,238
Total 2014 program expenses under GASB 27	<u>25,938,370</u>
Increase in program expenses not related to pension	<u><u>\$863,868</u></u>

Net position decreased \$1,632,572. Revenues reflect an overall decrease of \$1,425,458 due mainly to a decrease in operating grants, contributions, and interest of \$1,142,880 and a decrease in grants and entitlements of \$230,561. Operating grants and contributions decreased as a result of the timing of federal and state grant receipts. The decrease in general revenue grants and entitlements was the result of a decrease in State foundation revenues for fiscal year 2015.

Instruction comprises approximately 60 percent of governmental program expenses and support services make up approximately 33 percent of the program expenses of the School District.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreased as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 21 percent of revenues for governmental activities for the School District in fiscal year 2015.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2015	2015	2014	2014
Program Expenses				
Instruction:				
Regular	\$10,600,833	\$9,956,694	\$10,415,433	\$8,719,463
Special	3,665,082	1,240,830	3,523,844	987,821
Vocational	1,169,094	1,146,079	1,064,596	1,043,684
Intervention	310,026	46,333	180,556	(9,888)
Support Services:				
Pupils	943,144	852,533	763,735	648,095
Instructional Staff	446,458	241,552	438,516	274,789
Board of Education	91,303	91,303	103,460	103,460
Administration	1,942,306	1,846,360	1,836,471	1,683,042
Fiscal	795,773	730,033	777,515	707,925
Business	160,097	160,097	140,717	140,717
Operation and Maintenance of Plant	2,261,754	2,120,740	2,161,326	2,058,532
Pupil Transportation	1,881,745	1,750,890	2,538,393	2,351,913
Central	84,247	53,977	78,601	49,426
Operation of Non-Instructional Services:				
Food Service Operations	1,281,324	236,593	1,268,750	194,630
Extracurricular Activities	248,375	181,878	231,539	170,827
Interest and Fiscal Charges	392,167	392,167	414,918	414,918
Total	<u>\$26,273,728</u>	<u>\$21,048,059</u>	<u>\$25,938,370</u>	<u>\$19,539,354</u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2015, approximately 80 percent of instructional activities were supported through taxes and other general revenues.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$20,147,512, expenditures of \$20,083,145, and other financing sources (uses) of (\$291,700). The General Fund's balance decreased \$227,333. The School District remains financially cautious.

The fund balance of the Bond Retirement Debt Service Fund at June 30, 2015, is \$895,990, an increase of \$12,646 from the prior year due to debt service payments not exceeding the revenue received.

The fund balance of the School Facilities Capital Projects Fund at June 30, 2015, is \$3,068,811, an increase of \$4,601 due to investment interest received in fiscal year 2015.

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal 2015, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$20,040,959, above final estimates of \$19,891,707. The \$149,252 difference was mainly due to an increase in intergovernmental revenue actually received. Original estimates of \$19,831,976 were increased \$59,731 mainly in taxes. The General Fund had final appropriations of \$20,836,732. This was \$252,978 above actual expenditures of \$20,583,754. This is due to the School District budgeting for contingencies and monitoring expenditures to keep them under budget.

The School District's ending unobligated General Fund balance was \$7,854,226.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$36,049,986 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2015 balances compared to 2014.

Table 4
 Capital Assets
 (Net of Depreciation)
 Governmental Activities

	2015	2014
Land	\$348,164	\$348,164
Construction in Progress	0	19,217
Land Improvements	355,086	145,817
Buildings and Improvements	33,763,835	35,201,326
Furniture and Equipment	658,838	785,349
Vehicles	924,063	699,481
Totals	\$36,049,986	\$37,199,354

See Note 10 to the basic financial statements for more information on capital assets.

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

Debt

At June 30, 2015, the School District had \$7,731,116 in bonds, notes, and capital leases outstanding.

Table 5
 Outstanding Debt, at Fiscal Year End
 Governmental Activities

	2015	2014
2000 School Facilities Construction and Improvement Bonds	\$410,267	\$783,183
2006 School Facilities Construction and Improvement Refunding Bonds	4,083,790	4,100,046
2007 School Facilities Construction and Improvement Bonds	3,067,789	3,162,980
Ohio Department of Education Loan	53,980	67,475
Capital Leases	115,290	163,326
Totals	\$7,731,116	\$8,277,010

See Notes 16 and 17 to the basic financial statements for more information on debt.

Current Issues

Over the past several years, the School District has controlled spending levels to build a cash balance. The School District receives approximately 21 percent of its funding from local taxes. The rest of the revenues come from State and federal monies. The School District does not expect any additional revenue from any of these sources in the near future.

The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to ensure financial stability.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Susan Gable, Treasurer/CFO at Morgan Local School District, P.O. Box 509, McConnelssville, Ohio 43756. Or E-Mail at mc_sgable@seovec.org.

Morgan Local School District, Ohio

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$15,453,477
Accounts Receivable	3,056
Materials and Supplies Inventory	20,392
Inventory Held for Resale	12,846
Intergovernmental Receivable	535,520
Prepaid Items	247,891
Property Taxes Receivable	5,789,256
Nondepreciable Capital Assets	348,164
Depreciable Capital Assets, Net	<u>35,701,822</u>
<i>Total Assets</i>	<u>58,112,424</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	134,256
Pension	<u>1,805,240</u>
<i>Total Deferred Outflows of Resources</i>	<u>1,939,496</u>
Liabilities	
Accounts Payable	122,000
Accrued Wages and Benefits Payable	1,647,753
Matured Compensated Absences Payable	15,338
Accrued Interest Payable	20,190
Vacation Benefits Payable	54,050
Intergovernmental Payable	594,279
Claims Payable	402,184
Long-Term Liabilities:	
Due Within One Year	678,547
Due In More Than One Year:	
Net Pension Liability (See Note 12)	24,583,034
Other Amounts Due in More Than One Year	<u>7,579,129</u>
<i>Total Liabilities</i>	<u>35,696,504</u>
Deferred Inflows of Resources	
Property Taxes	4,976,164
Pension	<u>4,446,333</u>
<i>Total Deferred Inflows of Resources</i>	<u>9,422,497</u>
Net Position	
Net Investment in Capital Assets	29,383,823
Restricted for:	
Debt Service	1,829,413
School Facilities Construction	3,168,501
Food Service	194,819
Classroom Facilities Maintenance	986,131
Preschool	1,802
Student Activities	2,852
Idea-B	13,958
Title I	38,360
Improving Teacher Quality	23,822
Budget Stabilization	38,499
Library Materials:	
Expendable	559
Nonexpendable	5,000
Other Purposes	42,355
Unrestricted (Deficit)	<u>(20,796,975)</u>
<i>Total Net Position</i>	<u><u>\$14,932,919</u></u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and
				Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$10,600,833	\$222,248	\$421,891	(\$9,956,694)
Special	3,665,082	1,497	2,422,755	(1,240,830)
Vocational	1,169,094	5,257	17,758	(1,146,079)
Intervention	310,026	0	263,693	(46,333)
Support Services:				
Pupils	943,144	9,727	80,884	(852,533)
Instructional Staff	446,458	0	204,906	(241,552)
Board of Education	91,303	0	0	(91,303)
Administration	1,942,306	9,152	86,794	(1,846,360)
Fiscal	795,773	0	65,740	(730,033)
Business	160,097	0	0	(160,097)
Operation and Maintenance of Plant	2,261,754	690	140,324	(2,120,740)
Pupil Transportation	1,881,745	69,186	61,669	(1,750,890)
Central	84,247	0	30,270	(53,977)
Operation of Non-Instructional Services:				
Food Service Operations	1,281,324	292,478	752,253	(236,593)
Extracurricular Activities	248,375	66,497	0	(181,878)
Interest and Fiscal Charges	392,167	0	0	(392,167)
<i>Totals</i>	<u>\$26,273,728</u>	<u>\$676,732</u>	<u>\$4,548,937</u>	<u>(21,048,059)</u>
General Revenues				
Property Taxes Levied for:				
				4,338,955
				797,139
				151,418
				13,976,794
				45,827
				8,300
				5,000
				92,054
				<u>19,415,487</u>
				(1,632,572)
				<u>16,565,491</u>
				<u>\$14,932,919</u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Bond Retirement Debt Service Fund	School Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$8,529,600	\$846,635	\$3,068,811	\$2,197,116	\$14,642,162
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	38,499	0	0	0	38,499
Receivables:					
Property Taxes	4,735,120	882,874	0	171,262	5,789,256
Accounts	2,724	0	0	332	3,056
Intergovernmental	50,823	0	0	484,697	535,520
Interfund	188,942	0	0	0	188,942
Prepaid Items	281,977	0	0	0	281,977
Materials and Supplies Inventory	16,922	0	0	3,470	20,392
Inventory Held for Resale	0	0	0	12,846	12,846
Total Assets	\$13,844,607	\$1,729,509	\$3,068,811	\$2,869,723	\$21,512,650
Liabilities					
Accounts Payable	\$71,180	\$0	\$0	\$50,820	\$122,000
Accrued Wages and Benefits Payable	1,445,931	0	0	201,822	1,647,753
Matured Compensated Absences Payable	14,055	0	0	1,283	15,338
Interfund Payable	0	0	0	188,942	188,942
Intergovernmental Payable	541,715	0	0	52,564	594,279
Total Liabilities	2,072,881	0	0	495,431	2,568,312
Deferred Inflows of Resources					
Property Taxes	4,074,795	753,262	0	148,107	4,976,164
Unavailable Revenue	414,709	80,257	0	190,900	685,866
Total Deferred Inflows of Resources	4,489,504	833,519	0	339,007	5,662,030
Fund Balances					
Nonspendable	298,899	0	0	8,470	307,369
Restricted	38,499	895,990	3,068,811	1,324,019	5,327,319
Committed	162,572	0	0	0	162,572
Assigned	1,226,782	0	0	783,815	2,010,597
Unassigned	5,555,470	0	0	(81,019)	5,474,451
Total Fund Balances	7,282,222	895,990	3,068,811	2,035,285	13,282,308
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$13,844,607	\$1,729,509	\$3,068,811	\$2,869,723	\$21,512,650

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015*

Total Governmental Fund Balances	\$13,282,308
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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.	36,049,986
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds:	
Delinquent Property Taxes	503,777
Intergovernmental	176,536
Miscellaneous	5,553
	685,866

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net position.	336,546
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Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.	134,256
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Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.	(20,190)
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Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.	(54,050)
--	----------

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:	
Deferred Outflows - Pension	1,805,240
Deferred Inflows - Pension	(4,446,333)
Net Pension Liability	(24,583,034)
	(27,224,127)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
School Improvement Bonds Payable	(7,561,846)
Loans Payable	(53,980)
Capital Lease Payable	(115,290)
Sick Leave Benefits Payable	(526,560)
	(8,257,676)

Net Position of Governmental Activities	\$14,932,919
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See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Bond Retirement Debt Service Fund	School Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$4,308,220	\$790,484	\$0	\$150,300	\$5,249,004
Intergovernmental	15,363,966	125,745	0	3,439,342	18,929,053
Interest	41,052	0	4,601	211	45,864
Customer Services	69,124	0	0	292,478	361,602
Tuition and Fees	232,511	0	0	15,432	247,943
Extracurricular Activities	0	0	0	66,497	66,497
Gifts and Donations	7,050	0	0	8,082	15,132
Rent	690	0	0	0	690
Miscellaneous	124,899	0	0	332	125,231
<i>Total Revenues</i>	<u>20,147,512</u>	<u>916,229</u>	<u>4,601</u>	<u>3,972,674</u>	<u>25,041,016</u>
Expenditures					
Current:					
Instruction:					
Regular	8,970,800	0	0	807,935	9,778,735
Special	2,117,356	0	0	1,307,842	3,425,198
Vocational	1,115,852	0	0	17,870	1,133,722
Intervention	2,668	0	0	307,592	310,260
Support Services:					
Pupils	604,288	0	0	265,771	870,059
Instructional Staff	403,626	0	0	42,621	446,247
Board of Education	91,303	0	0	0	91,303
Administration	1,683,998	0	0	87,306	1,771,304
Fiscal	652,185	36,685	0	85,311	774,181
Business	148,533	0	0	0	148,533
Operation and Maintenance of Plant	1,983,916	0	0	95,023	2,078,939
Pupil Transportation	2,032,490	0	0	8,202	2,040,692
Central	49,132	0	0	34,793	83,925
Operation of Non-Instructional Services	0	0	0	1,085,993	1,085,993
Extracurricular Activities	173,355	0	0	65,366	238,721
Capital Outlay	0	0	0	369,887	369,887
Debt Service:					
Principal Retirement	48,036	343,144	0	0	391,180
Interest and Fiscal Charges	5,607	258,403	0	0	264,010
CAB Accretion	0	265,351	0	0	265,351
<i>Total Expenditures</i>	<u>20,083,145</u>	<u>903,583</u>	<u>0</u>	<u>4,581,512</u>	<u>25,568,240</u>
<i>Excess of Revenues Over (Under)</i>					
<i>Expenditures</i>	<u>64,367</u>	<u>12,646</u>	<u>4,601</u>	<u>(608,838)</u>	<u>(527,224)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	300,000	300,000
Transfers Out	(300,000)	0	0	0	(300,000)
Proceeds from Sale of Capital Assets	8,300	0	0	0	8,300
<i>Total Other Financing Sources (Uses)</i>	<u>(291,700)</u>	<u>0</u>	<u>0</u>	<u>300,000</u>	<u>8,300</u>
<i>Net Change in Fund Balance</i>	<u>(227,333)</u>	<u>12,646</u>	<u>4,601</u>	<u>(308,838)</u>	<u>(518,924)</u>
<i>Fund Balances Beginning of Year</i>	<u>7,509,555</u>	<u>883,344</u>	<u>3,064,210</u>	<u>2,344,123</u>	<u>13,801,232</u>
<i>Fund Balances End of Year</i>	<u>\$7,282,222</u>	<u>\$895,990</u>	<u>\$3,068,811</u>	<u>\$2,035,285</u>	<u>\$13,282,308</u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds (\$518,924)

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays:

Capital Asset Additions	746,938	
Current Year Depreciation	<u>(1,896,306)</u>	(1,149,368)

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

Delinquent Property Taxes	38,508	
Intergovernmental	(413,491)	
Miscellaneous	<u>(33,177)</u>	(408,160)

Repayment of principal and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.

General Obligation Bonds	105,000	
Refunding Bonds	75,000	
Capital Leases	48,036	
Loans	13,495	
Capital Appreciation Bonds	149,649	
Capital Appreciation Bond Accretion	<u>265,351</u>	656,531

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Bond Premiums	43,490	
Annual Accretion	(151,602)	
Amortization of Deferred Amount on Refunding	(18,089)	
Amortization of Discount	(2,525)	
Interest Payable	<u>569</u>	(128,157)

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,573,571

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,045,061)

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

Vacation Benefits Payable	(9,387)	
Sick Leave Benefits Payable	<u>144,758</u>	135,371

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (748,375)

Change in Net Position of Governmental Activities (\$1,632,572)

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues				
Taxes	\$4,181,000	\$4,346,100	\$4,385,230	\$39,130
Intergovernmental	15,322,327	15,235,166	15,314,705	79,539
Interest	40,000	40,000	41,062	1,062
Customer Services	63,698	45,982	69,124	23,142
Tuition and Fees	210,000	210,000	215,288	5,288
Gifts and Donations	10,000	10,000	5,000	(5,000)
Rent	3,000	3,000	1,010	(1,990)
Miscellaneous	1,951	1,459	9,540	8,081
<i>Total Revenues</i>	<u>19,831,976</u>	<u>19,891,707</u>	<u>20,040,959</u>	<u>149,252</u>
Expenditures				
Current:				
Instruction:				
Regular	14,334,729	14,376,972	9,031,456	5,345,516
Special	271,709	271,709	2,133,643	(1,861,934)
Vocational	252,503	253,753	1,105,742	(851,989)
Student Intervention	0	39,662	16,614	23,048
Support Services:				
Pupils	308,198	308,198	695,170	(386,972)
Instructional Staff	106,877	106,877	430,248	(323,371)
Board of Education	138,495	138,495	125,306	13,189
Administration	1,078,973	1,078,973	1,648,535	(569,562)
Fiscal	1,010,691	1,010,691	809,332	201,359
Business	6,257	6,257	142,887	(136,630)
Operation and Maintenance of Plant	1,200,491	1,200,491	2,242,873	(1,042,382)
Pupil Transportation	1,942,924	1,942,924	1,978,660	(35,736)
Central	1,756	1,756	49,802	(48,046)
Extracurricular Activities	99,974	99,974	173,486	(73,512)
<i>Total Expenditures</i>	<u>20,753,577</u>	<u>20,836,732</u>	<u>20,583,754</u>	<u>252,978</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(921,601)</u>	<u>(945,025)</u>	<u>(542,795)</u>	<u>(103,726)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	9,328	6,733	8,300	1,567
Refund of Prior Year Expenditures	30,000	100,000	132,366	32,366
Transfers Out	0	(300,000)	(300,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>39,328</u>	<u>(193,267)</u>	<u>(159,334)</u>	<u>33,933</u>
<i>Net Change in Fund Balance</i>	(882,273)	(1,138,292)	(702,129)	(69,793)
<i>Fund Balance Beginning of Year</i>	8,207,246	8,207,246	8,207,246	0
Prior Year Encumbrances Appropriated	349,109	349,109	349,109	0
<i>Fund Balance End of Year</i>	<u>\$7,674,082</u>	<u>\$7,418,063</u>	<u>\$7,854,226</u>	<u>\$436,163</u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

Statement of Fund Net Position

Internal Service Fund

June 30, 2015

	<u>Self Insurance</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$772,816</u>
Current Liabilities	
Unearned Revenue	34,086
Claims Payable	<u>402,184</u>
<i>Total Liabilities</i>	<u>436,270</u>
Net Position	
Unrestricted	<u><u>\$336,546</u></u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
*Statement of Revenues,
 Expenses and Changes in Fund Net Position
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2015*

	Self Insurance
Operating Revenues	
Charges for Services	\$3,095,322
Operating Expenses	
Purchased Services	465,588
Claims	3,378,109
<i>Total Operating Expenses</i>	<i>3,843,697</i>
<i>Change in Net Position</i>	<i>(748,375)</i>
<i>Net Position Beginning of Year</i>	<i>1,084,921</i>
<i>Net Position End of Year</i>	<i>\$336,546</i>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	Self Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$3,095,294
Cash Payments to Suppliers for Services	(465,588)
Cash Payments for Claims	(3,119,990)
<i>Net Cash Used for Operating Activities</i>	(490,284)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,263,100
<i>Cash and Cash Equivalents End of Year</i>	\$772,816
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$748,375)
Changes in Assets and Liabilities	
Increase in Claims Payable	258,119
Decrease in Unearned Revenue	(28)
<i>Net Cash Used for Operating Activities</i>	(\$490,284)
See accompanying notes to the basic financial statements	

Morgan Local School District, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2015

	Private Purpose Trust	
	Parsons Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,496	\$53,725
Investments	100,000	0
Interest Receivable	599	0
<i>Total Assets</i>	<u>113,095</u>	<u>\$53,725</u>
Liabilities		
Due to Students	0	\$53,725
Net Position		
Held in Trust for Scholarships	<u>\$113,095</u>	

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
Statement of Changes in Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
	Parsons Scholarship
Additions	
Interest	\$715
Deductions	
Scholarships	2,200
<i>Change in Net Position</i>	(1,485)
<i>Net Position Beginning of Year</i>	114,580
<i>Net Position End of Year</i>	\$113,095

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Morgan Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State statute and federal guidelines.

Morgan Local School District is a countywide school district located in Morgan County, in the heart of Southeast Ohio, the Appalachian region of the State. The School District is nestled between Zanesville and Marietta on the scenic Muskingum River. Incorporating all of Morgan County's 421 square miles, the School District is, in terms of physical size, the third largest district in Ohio. The county is substantially rural with a population of nearly 15,000.

The School District is a consolidation of seven small communities. Prior to 1966, each community had a kindergarten through 12th grade building. In 1966, a consolidated high school was built to serve Morgan County and the seven different community buildings were converted to kindergarten through 8th grade buildings. In late 2002, the School District completed three new elementary schools and a new middle school. Seven old elementary buildings were sold by the School District.

The School District is staffed by 110 classified employees and 166 certificated personnel who provide services to 2,072 students and other community members. The School District currently operates five instructional buildings, one administrative office site, and one garage.

Reporting Entity:

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Morgan Local School District, this includes general operations, food service, preschool, vocational instruction, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District participates in two jointly governed organizations and three insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Metropolitan Educational Technology Association, and the Ohio School Benefits Cooperative (OSBC). These organizations are presented in Notes 18 and 19 to the basic financial statements.

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Morgan Local School 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 more significant of the School District's accounting policies are described as follows:

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School 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; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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 School District.

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds used by the School District can be classified using three categories: governmental, proprietary, and fiduciary.

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

General Fund The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred to the general laws of Ohio.

Bond Retirement Debt Service Fund The Bond Retirement Debt Service Fund accounts for and reports property tax revenues restricted for the payment of general long-term obligation principal, interest, and related costs.

School Facilities Capital Projects Fund The School Facilities Capital Projects Fund accounts for and reports monies received from the State and debt issuances restricted to the construction of new school buildings.

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

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund:

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, vision, prescription drug, and dental claims.

Fiduciary Fund Type 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds accounts for student activities and assets held by the School District as an agent for outside activities.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified 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 outflows and inflows 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 School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). 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

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest earnings, tuition, grants, fees, and rentals.

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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges and pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows related to pension are reported on the government-wide Statement of Net Position. (See Note 12)

Unearned Revenue Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The Self-Insurance Fund reports unearned revenue for premiums received from the paying funds prior to the fiscal year the premiums are due.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Allocation of appropriations to the function and object levels are made by the Treasurer. The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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 amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment 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 fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except a portion of the private purpose trust fund and amounts in the flexible spending agency fund, are maintained in this pool. Individual fund integrity is maintained through School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2015, investments consisted of nonparticipating certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$41,052, which includes \$12,054 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by laws through constitutional provisions or enabling legislation. Restricted assets represent cash and cash equivalents required by Statute to be set-aside by the School District for budget stabilization restricted for school facilities construction. See Note 20 for additional information regarding set-asides.

J. Capital Assets

The School District’s only capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School 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 capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	50 years
Buildings and Improvements	50 years
Furniture and Equipment	5 - 15 years
Vehicles	3 - 10 years

K. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided or used are classified as “interfund receivables/payables.” These amounts are eliminated on the Statement of Net Position.

L. 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 School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as “vacation benefits payable”, rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year earned.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees with seventeen or more years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

N. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Net Position. Payments of interfund services provided and used are not eliminated.

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.

O. 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.

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

P. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District's Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in fiscal year 2016's appropriated budget.

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Morgan Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Q. Bond Premiums and Discounts and Accounting Gains

On government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are accreted over the term of the bonds.

On the government fund financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

On the government fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

R. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for miscellaneous federal and state grants restricted for specified purposes.

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

T. 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.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

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

Net Position June 30, 2014	\$44,318,128
Adjustments:	
Net Pension Liability	(29,210,722)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>1,458,085</u>
Restated Net Position June 30, 2014	<u><u>\$16,565,491</u></u>

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

NOTE 4 - ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2015:

	<u>Deficit</u>
Special Revenue Funds:	
Title I	(\$35,581)
IDEA-B	(27,444)
Public Preschool	(10,200)
Title II-A	(5,449)
Vocational Education	(1,843)
Miscellaneous State Grants	(445)
Miscellaneous Federal Grants	(57)

The deficits are the result of the recognition of payables in accordance with Generally Accepted Accounting Principles (GAAP). The General Fund provides transfers to cover these deficit balances; however, this is done when cash is needed rather than when accruals occur. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 5 - FUND BALANCES

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

Fund Balances	General	Bond Retirement	School Facilities	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$281,977	\$0	\$0	\$0	\$281,977
Materials and Supplies Inventory	16,922	0	0	3,470	20,392
Library Materials - Trust	0	0	0	5,000	5,000
<i>Total Nonspendable</i>	298,899	0	0	8,470	307,369
<u>Restricted for:</u>					
School Facilities Construction	38,499	0	0	0	38,499
Library Operations	0	0	0	559	559
Food Service Operations	0	0	0	224,816	224,816
Athletics and Music Programs	0	0	0	2,852	2,852
Local Grant Expenditures	0	0	0	24,335	24,335
Debt Service Payments	0	895,990	0	0	895,990
Capital Improvements	0	0	3,068,811	1,071,457	4,140,268
<i>Total Restricted</i>	38,499	895,990	3,068,811	1,324,019	5,327,319
<u>Committed to:</u>					
Purchases on Order	37,572	0	0	0	37,572
Severance Payments	125,000	0	0	0	125,000
<i>Total Committed</i>	162,572	0	0	0	162,572
<u>Assigned to:</u>					
Purchases on Order	646,496	0	0	783,815	1,430,311
Public School Support	30,043	0	0	0	30,043
Assigned to Subsequent Year's Appropriations	550,243	0	0	0	550,243
<i>Total Assigned</i>	1,226,782	0	0	783,815	2,010,597
Unassigned:	5,555,470	0	0	(81,019)	5,474,451
<i>Total Fund Balances</i>	\$7,282,222	\$895,990	\$3,068,811	\$2,035,285	\$13,282,308

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

While the School 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) 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 (budget) rather than committed or assigned fund balance for governmental fund types (GAAP).
4. Unrecorded cash, prepaid items, and negative cash advances to other funds are reported on the GAAP Basis but not on budgetary basis.
5. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	(\$227,333)
Revenue Accruals	(61,529)
Expenditure Accruals	48,954
Beginning:	
Unreported Cash	68
Prepaid Items	446,703
Negative cash advances to other funds	309,364
Ending:	
Unreported Cash	(58)
Prepaid Items	(281,977)
Negative cash advances to other funds	(188,942)
To reclassify excess of revenues and other sources of financial resources over expenditures into financial statement fund types	335
Encumbrances	<u>(747,714)</u>
Budget Basis	<u><u>(\$702,129)</u></u>

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$15,285,547 of the School District's bank balance of \$16,135,677 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 8 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or 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.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Morgan, Muskingum, and Washington Counties. The County Auditor of Morgan County periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2015, was \$251,169 in the General Fund, \$49,355 in the Bond Retirement Debt Service Fund, and \$8,791 in the Classroom Facilities Special Revenue Fund. The

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amount available as an advance at June 30, 2014, was \$328,179 in the General Fund, \$63,830 in the Bond Retirement Debt Service Fund, and \$11,487 in the Classroom Facilities Special Revenue Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$190,969,860	82.54%	\$191,774,030	82.40%
Commerical/Industrial and Public Utility Real	17,199,750	7.43%	16,259,490	6.99%
Public Utility Personal	23,211,080	10.03%	24,682,400	10.61%
	<u>\$231,380,690</u>	<u>100.00%</u>	<u>\$232,715,920</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$37.39		\$37.43

NOTE 9 - RECEIVABLES

Receivables at June 30, 2015, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental receivables. 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 fiscal year guarantee of federal funds. Other than delinquent property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies, that will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

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Governmental Activities	<u>Amounts</u>
Title I	\$134,655
IDEA-B	109,458
Title II-A	70,407
Teachers Incentive Grant	40,809
Title VI-B, Rural and Low Income	40,128
Early Childhood Education	37,778
Ohio Department of Education - Foundation Adjustment	25,308
Ohio Department of Job and Family Services	21,784
Mckinney Vento Homeless Assistance Program	19,714
Race to the Top (OAC)	18,387
Carl Perkins	8,594
Bureau of Workers Compensation Refund	5,553
Ohio Department of Taxation - Fuel Refund	1,530
Miscellaneous Reimbursements	1,415
	<u>\$535,520</u>

NOTE 10 - CAPITAL ASSETS

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

	<u>Balance</u> 6/30/2014	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 6/30/2015
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$348,164	\$0	\$0	\$348,164
Construction in Progress	19,217	227,443	(246,660)	0
Total Capital Assets not being Depreciated	<u>367,381</u>	<u>227,443</u>	<u>(246,660)</u>	<u>348,164</u>
Depreciable Capital Assets:				
Land Improvements	2,722,838	246,660	0	2,969,498
Buildings and Improvements	48,613,450	109,044	(9,604)	48,712,890
Furniture and Equipment	3,332,796	55,647	0	3,388,443
Vehicles	2,768,292	354,804	(354,423)	2,768,673
Total Capital Assets being Depreciated	<u>57,437,376</u>	<u>766,155</u>	<u>(364,027)</u>	<u>57,839,504</u>
Less Accumulated Depreciation				
Land Improvements	(2,577,021)	(37,391)	0	(2,614,412)
Buildings and Improvements	(13,412,124)	(1,546,535)	9,604	(14,949,055)
Furniture and Equipment	(2,547,447)	(182,158)	0	(2,729,605)
Vehicles	(2,068,811)	(130,222)	354,423	(1,844,610)
Total Accumulated Depreciation	<u>(20,605,403)</u>	<u>(1,896,306) *</u>	<u>364,027</u>	<u>(22,137,682)</u>
Total Capital Assets being Depreciated, Net	<u>36,831,973</u>	<u>(1,130,151)</u>	<u>0</u>	<u>35,701,822</u>
Capital Assets, Net	<u>\$37,199,354</u>	<u>(\$902,708)</u>	<u>(\$246,660)</u>	<u>\$36,049,986</u>

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* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$851,355
Special	265,298
Vocational	51,078
Support Services:	
Pupils	69,510
Instructional Staff	16,534
Administration	152,834
Fiscal	1,829
Business	11,938
Operation and Maintenance of Plant	140,664
Pupil Transportation	131,543
Central	785
Food Service Operations	200,949
Extracurricular Activities	1,989
Total Depreciation Expense	<u>\$1,896,306</u>

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted for the following insurance coverage:

Coverage provided by Ohio Casualty Insurance Group is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$77,557,674
General Liability:	
Per occurrence	1,000,000
Annual Aggregate Limit	3,000,000
Employee Benefits Liability (\$1,000 deductible):	
Per occurrence	1,000,000
Annual Aggregate Limit	3,000,000
Educator's Legal Liability (\$2,500 deductible):	
Per occurrence	1,000,000
Annual Aggregate Limit	3,000,000
Automobile Liability (\$1,000 Comprehensive/\$1,000 collision):	
Bodily Injury and Property Damage (each accident)	1,000,000
Other Than Auto Only, aggregate	1,000,000
Medical Payments	5,000
Uninsured Motorists (No deductible)	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past four fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

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For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control, and actuarial services to the GRP.

Medical, dental, vision, and prescription insurance is offered to employees through a self-insurance internal service fund. The School District contracts with a third party administrator to handle stop-loss coverage. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$402,184 reported in the internal service fund at June 30, 2015, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2014	\$187,783	\$2,697,364	2,741,082	\$144,065
2015	144,065	3,378,109	3,119,990	402,184

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

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

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

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date of the benefit.

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

The School District's contractually required contribution to SERS was \$384,342 for fiscal year 2015. Of this amount, \$51,375 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years

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of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

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

The School District's contractually required contribution to STRS was \$1,189,229 for fiscal year 2015. Of this amount, \$237,759 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$4,476,556	\$20,106,478	\$24,583,034
Proportion of the Net Pension			
Liability	0.088453%	0.08266290%	
Pension Expense	\$263,366	\$781,695	\$1,045,061

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$38,100	\$193,569	\$231,669
School District contributions subsequent to the measurement date	384,342	1,189,229	1,573,571
Total Deferred Outflows of Resources	\$422,442	\$1,382,798	\$1,805,240
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$726,558	\$3,719,775	\$4,446,333

\$1,573,571 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$172,018)	(\$881,552)	(\$1,053,570)
2017	(172,018)	(881,552)	(1,053,570)
2018	(172,018)	(881,552)	(1,053,570)
2019	(172,404)	(881,550)	(1,053,954)
Total	(\$688,458)	(\$3,526,206)	(\$4,214,664)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

Asset Class	Target		Long Term Expected	
	Allocation		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.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$6,386,715	\$4,476,556	\$2,869,947

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$28,784,615	\$20,106,478	\$12,767,694

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2015, there are four Board Members who have elected Social Security. The contribution rate is 6.2 percent of wages.

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NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$47,336.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$23,912, \$23,270, and \$23,677, respectively. For fiscal year 2015, 94.14 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$81,034, and \$92,416 respectively. The full amount has been contributed for all fiscal years.

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified and administrative employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation days cannot be carried forward for more than one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for certified employees and a maximum of 230 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for certified and 55 days for classified employees.

B. Other Employee Insurances

The School District provides life insurance and accidental death and dismemberment insurance through Metropolitan Education Council, in the amount of \$30,000 for all employees.

NOTE 15 - INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2015, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$188,942	\$0
Other Nonmajor Governmental Funds:		
Early Childhood Education	0	13,009
Race to the Top	0	18,387
IDEA-B	0	35,536
Title I	0	37,579
Vocational Education	0	2,874
Title II-A	0	62,108
Miscellaneous Federal Grants	0	19,449
Total All Funds	<u>\$188,942</u>	<u>\$188,942</u>

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

The interfund receivables/payables are due to cash deficits.

The School District transferred \$300,000 from the General Fund to the Permanent Improvement Capital Projects Fund for various construction projects.

NOTE 16 - CAPITAL LEASES - LESSEE DISCLOSURE

In the prior fiscal years, the School District entered into capitalized leases for copier equipment. The lease meets the criteria of a capital lease as which is defined as a lease which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures and changes in fund balances for the governmental funds. Principal payments in 2014 were \$48,036. Book value related to this lease is as follows:

	<u>Governmental Activities</u>
Equipment	\$242,948
Less Accumulated Depreciation	<u>(109,326)</u>
Total June 30, 2015	<u><u>\$133,622</u></u>

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

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$53,643
2017	53,643
2018	<u>13,411</u>
Total	120,697
Less: Amount Representing Interest	<u>(5,407)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$115,290</u></u>

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 17 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Principal Outstanding 6/30/14	Additions	Deductions	Principal Outstanding 6/30/15	Due Within One Year
2004 Ohio Department of Education Construction Loan - 0%	\$67,475	\$0	\$13,495	\$53,980	\$13,495
2000 School Facilities Construction and Improvement General Obligation Bonds:					
Original Issue of Capital Appreciation Bonds - 21.947% - 21.861%	291,501	0	149,649	141,852	141,852
Accretion on Capital Appreciation Bonds	491,682	42,084	265,351	268,415	268,415
Total GO Bonds	783,183	42,084	415,000	410,267	410,267
2006 School Facilities Construction and Improvement Refunding Bonds:					
Serial Bonds - 4.10%	3,190,000	0	0	3,190,000	0
Term Bonds - 3.80%-4.00%	155,000	0	75,000	80,000	80,000
Original Issue of Capital Appreciation Bonds - 14.276%	234,993	0	0	234,993	0
Capital Appreciation Bonds:					
Accretion	442,457	97,036	0	539,493	0
Premium	98,855	0	40,817	58,038	0
Discount	(21,259)	0	(2,525)	(18,734)	0
Total Refunding Bonds	4,100,046	97,036	113,292	4,083,790	80,000
2007 School Facilities Construction and Improvement General Obligation Bonds:					
Serial Bonds - 4.00%	705,000	0	105,000	600,000	110,000
Term Bonds - 3.15%-4.35%	2,275,000	0	0	2,275,000	0
Original Issue of Capital Appreciation Bonds - 10.171%	70,000	0	0	70,000	0
Capital Appreciation Bonds Accretion	58,717	12,482	0	71,199	0
Premium	54,263	0	2,673	51,590	0
Total GO Bonds	3,162,980	12,482	107,673	3,067,789	110,000
Net Pension Liability:					
STRS	23,950,705	0	3,844,227	20,106,478	0
SERS	5,260,017	0	783,461	4,476,556	0
Total Net Pension Liability	29,210,722	0	4,627,688	24,583,034	0
Capital Leases	163,326	0	48,036	115,290	49,975
Sick Leave Benefits Payable	671,318	40,793	185,551	526,560	14,810
Total Long-Term Obligations	\$38,159,050	\$192,395	\$5,510,735	\$32,840,710	\$678,547

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Capital leases are paid from the General Fund. Sick leave benefits are paid from the fund from which the employees' salaries are paid, which includes the General Fund and Lunchroom Special Revenue Funds. The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 12.

During fiscal year 2004, the School District entered into a loan agreement with the Ohio Department of Education for \$500,000. The loan has two components: \$202,424 for assisting with construction costs of workforce education facilities to be repaid in 30 equal semiannual installments beginning July, 2005, and \$297,576 for assisting with the purchase of workforce education equipment to be repaid in 10 equal semiannual installments beginning July, 2005. The loans were used by the School District to replace the roof on the vocational building. The loans are interest free and are being paid out of the Bond Retirement Debt Service Fund. The equipment loan portion of this agreement was paid off during fiscal year 2009.

On April 1, 2000, the School District issued \$6,996,905 in voted general obligation bonds for constructing school buildings. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$2,165,000, \$4,060,000, and \$771,905, respectively. The bonds are being retired from the Bond Retirement Debt Service Fund, with the proceeds of a 2.76 mill voted property tax levy. The term bonds were refunded in fiscal year 2007 (see discussion below). The liability for the remaining bonds, consisting of serial and capital appreciation bonds, is recorded in the statement of net position. Final payment on the serial bonds was made in fiscal year 2011. The capital appreciation bonds mature (matured) in fiscal years 2012 thru 2016. The maturity amount of the bonds is \$1,980,000. For the fiscal year 2015, \$42,084 was accreted for a total bond value of \$410,267. The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

On July 5, 2006, the School District issued \$4,059,993 in refunding bonds to retire \$4,060,000 of outstanding school improvement term bonds that had been issued in 2000. \$4,356,810 (after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The bondholders of the refunded bonds were paid on December 1, 2010.

The 2006 capital appreciation bonds were sold at a premium of \$424,831. For fiscal year 2015, \$40,817 was amortized for total amortization outstanding of \$58,038. The capital appreciation bonds will mature in fiscal year 2018. The maturity amount of the bonds is \$1,055,000. For the fiscal year 2015, \$97,036 was accreted for a total bond value of \$774,486.

On October 18, 2007, the School District issued \$3,600,000 in voted general obligation bonds for improvements to the high school building. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,255,000, \$2,275,000, and \$70,000, respectively. The bonds will be retired from the Bond Retirement Debt Service Fund, with the proceeds of a 1.32 mill voted property tax levy.

The current interest bonds maturing December 1, 2034, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Date	Principal Amount To Be Redeemed
2029	\$180,000
2030	185,000
2031	195,000
2032	205,000
2033	215,000

The remaining principal amount of the bonds (\$220,000) will mature at the stated maturity on December 1, 2034.

The 2007 capital appreciation bonds will mature in fiscal year 2022. The maturity amount of the bonds is \$270,000. For the fiscal year 2015, \$12,482 was accreted for a total bond value of \$141,199.

Principal requirements to maturity on the Ohio Department of Education Loan are as follows:

Fiscal Year Ending	Principal
2016	\$13,495
2017	13,495
2018	13,495
2019	13,495
Total	<u>\$53,980</u>

Principal and interest requirements to retire the 2000 general obligation bonds outstanding at June 30, 2015, were as follows:

Fiscal Year Ending	Capital Appreciation	
	Principal	Interest
2016	\$141,852	\$283,148

Principal and interest requirements to retire the 2006 refunding bonds outstanding at June 30, 2015, were as follows:

Fiscal Year Ending	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$0	\$65,395	\$80,000	\$66,995	\$0	\$0
2017	0	130,790	0	0	125,029	399,971
2018	0	130,790	0	0	109,964	420,036
2019	540,000	119,720	0	0	0	0
2020	610,000	96,145	0	0	0	0
2021-2023	2,040,000	128,946	0	0	0	0
Total	<u>\$3,190,000</u>	<u>\$671,786</u>	<u>\$80,000</u>	<u>\$66,995</u>	<u>\$234,993</u>	<u>\$820,007</u>

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Principal and interest requirements to retire the 2007 general obligation bonds outstanding at June 30, 2015, were as follows:

Fiscal Year Ending	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$110,000	\$118,612	\$0	\$0	\$0	\$0
2017	115,000	114,112	0	0	0	0
2018	120,000	109,412	0	0	0	0
2019	125,000	104,512	0	0	0	0
2020	130,000	99,412	0	0	0	0
2021-2025	0	0	420,000	264,708	70,000	393,628
2026-2030	0	0	835,000	312,799	0	0
2031-2035	0	0	1,020,000	114,840	0	0
Total	\$600,000	\$546,060	\$2,275,000	\$692,347	\$70,000	\$393,628

The School District's overall legal debt margin was \$15,248,578, with an unvoted debt margin of \$232,716 at June 30, 2015.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 27 participants consisting of school districts in eight southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2015, the School District paid \$161,346 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2015, the School District's membership fee was \$325.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

NOTE 19 - INSURANCE PURCHASING POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the plan. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

B. Metropolitan Educational Technology Association

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During fiscal year 2015, the School District purchased life insurance through META. Financial information can be obtained from Scott Armstrong, CFO, 100 Executive Drive, Marion, Ohio 43302.

C. Ohio School Benefits Cooperative (OSBC)

The School District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants pay an initial \$500 membership fee to OSBC. OSBC offers two options to participants. The first option is that participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The School District participates in the second option. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC. During fiscal year

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

2015, the School District elected to participate in the self-insured joint insurance program for medical, prescription drug, dental, and vision coverage.

NOTE 20 - SET-ASIDE CALCULATIONS

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may, at the discretion of the board, be returned to the school district's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain the refunds from the Bureau of Workers' Compensation in the budget reserve pursuant to State Statute and at June 30, 2015, this continues to be set aside for school facility construction.

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

	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Balance as of June 30, 2014	\$0	\$38,499
Current Year Set-aside Requirement	335,705	0
Offsetting Credits	(152,996)	0
Qualifying Disbursements	(502,847)	0
Total	<u>(\$320,138)</u>	<u>\$38,499</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$38,499</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future fiscal years.

NOTE 21 - DONOR-RESTRICTED ENDOWMENTS

The School District's permanent fund includes a donor-restricted endowment. Net Position - Library Materials – Nonexpendable of \$5,000 represents the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is \$559 and is included as Net Position – Library Materials – Expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicated that the interest should be used to purchase library materials each fiscal year.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 22 - CONTINGENCIES

A. Grants

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

B. School Foundation

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

C. Litigation

As of June 30, 2015, the School District is currently not a party to any material legal proceedings.

NOTE 23 - SIGNIFICANT COMMITMENTS

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of governmental encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$749,794
Nonmajor Funds	93,758
Total	<u><u>\$843,552</u></u>

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.088453%	0.088453%
School District's Proportionate Share of the Net Pension Liability	\$4,476,556	\$5,260,017
School District's Covered-Employee Payroll	\$2,585,636	\$2,675,145
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	173.13%	196.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.08266290%	0.08266290%
School District's Proportionate Share of the Net Pension Liability	\$20,106,478	\$23,950,705
School District's Covered-Employee Payroll	\$8,459,354	\$9,495,685
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	237.68%	252.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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Morgan Local School District, Ohio
Required Supplementary Information
Schedule of the School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$384,342	\$358,369	\$370,240	\$310,648
Contributions in Relation to the Contractually Required Contribution	<u>(384,342)</u>	<u>(358,369)</u>	<u>(370,240)</u>	<u>(310,648)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,916,100	\$2,585,636	\$2,675,145	\$2,309,654
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$307,836	\$327,458	\$244,979	\$245,618	\$262,008	\$242,645
<u>(307,836)</u>	<u>(327,458)</u>	<u>(244,979)</u>	<u>(245,618)</u>	<u>(262,008)</u>	<u>(242,645)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,448,975	\$2,418,451	\$2,489,626	\$2,501,201	\$2,453,258	\$2,293,431
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Morgan Local School District, Ohio
Required Supplementary Information
Schedule of the School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,189,229	\$1,099,716	\$1,234,439	\$1,097,140
Contributions in Relation to the Contractually Required Contribution	<u>(1,189,229)</u>	<u>(1,099,716)</u>	<u>(1,234,439)</u>	<u>(1,097,140)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$8,494,493	\$8,459,354	\$9,495,685	\$8,439,538
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$1,186,815	\$1,173,463	\$1,215,271	\$1,260,665	\$1,198,971	\$1,199,328
<u>(1,186,815)</u>	<u>(1,173,463)</u>	<u>(1,215,271)</u>	<u>(1,260,665)</u>	<u>(1,198,971)</u>	<u>(1,199,328)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,129,346	\$9,026,638	\$9,348,238	\$9,697,423	\$9,222,854	\$9,225,600
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2014/2015	10.555	\$50,051	\$50,051
Cash Assistance:				
School Breakfast Program	2014/2015	10.553	239,138	239,138
National School Lunch Program	2014/2015	10.555	531,483	531,483
Cash Assistance Subtotal			<u>770,621</u>	<u>770,621</u>
Total Child Nutrition Cluster			<u>820,672</u>	<u>820,672</u>
Total U.S. Department of Agriculture			820,672	820,672
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2014 2015	84.010	118,704 <u>603,016</u>	75,370 <u>631,088</u>
Total Title I Grants to Local Educational Agencies			<u>721,720</u>	<u>706,458</u>
Special Education Cluster:				
Special Education - Grants to States	2014 2015	84.027	92,071 <u>318,401</u>	68,778 <u>353,936</u>
Total Special Education - Grants to States			<u>410,472</u>	<u>422,714</u>
Special Education - Preschool Grants	2015	84.173	8,873	8,873
Total Special Education Cluster			<u>419,345</u>	<u>431,587</u>
Career and Technical Education - Basic Grants to States	2014 2015	84.048	6,705 <u>31,801</u>	5,370 <u>34,674</u>
Total Career and Technical Education			<u>38,506</u>	<u>40,044</u>
Education for Homeless Children and Youth	2014 2015	84.196	4,510 <u>26,693</u>	2,324 <u>36,200</u>
Total Education for Homeless Children and Youth			<u>31,203</u>	<u>38,524</u>
Twenty-First Century Community Learning Centers	2014	84.287	14,970	410
Rural Education	2014 2015	84.358	3,478 <u>23,630</u>	15 <u>43,079</u>
Total Rural Education			<u>27,108</u>	<u>43,094</u>
Improving Teacher Quality State Grants	2014 2015	84.367	36,870 <u>86,719</u>	21,818 <u>114,427</u>
Total Improving Teacher Quality State Grants			<u>123,589</u>	<u>136,245</u>
Teacher Incentive Fund:				
Assessment Literacy	2014	84.374	23,122	0
Ohio Dominican Leadership Endorsement	2015		104,376	104,376
Ohio Teacher Incentive	2014		41,828	21,509
Ohio Teacher Incentive	2015		405,800	440,200
Total Teacher Incentive Fund			<u>575,126</u>	<u>566,085</u>
ARRA - Race-to-the-Top Incentive Grants, Recovery Act:				
Race to the Top	2014	84.395	68,693	55,449
Race to the Top	2015		11,493	29,880
Ohio Appalachian Collaborative (OAC)	2014		21,492	474
Ohio Appalachian Collaborative (OAC) Additional Resident Educator	2014		11,927	0
Early College High School	2014		2,100	1,358
Early College High School	2014		119,124	6,971
Total ARRA - Race-to-the-Top Incentive Grants, Recovery Act			<u>234,829</u>	<u>94,132</u>
Total U.S. Department of Education			<u>2,186,396</u>	<u>2,056,579</u>

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES</u>				
<i>Passed through Ohio Department of Job and Family Services:</i>				
Medical Assistance Program	2015	93.558	<u>167,080</u>	<u>167,080</u>
Total U.S. Department of Health and Human Services			<u>167,080</u>	<u>167,080</u>
Total Federal Awards Receipts and Expenditures			<u><u>\$3,174,148</u></u>	<u><u>\$3,044,331</u></u>

The accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – OHIO BUREAU OF WORKERS' COMPENSATION REBATE

Ohio's workers' compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers' Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In May 2013, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio's workers' compensation system. Each employer's rebate reflected 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts). Approximately \$113 million of the \$1 billion rebate went to local governments around the state. Using policy year 2011 as the base year for calculation, the School District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the School District's Schedule of Federal Awards Receipts and Expenditures.

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Dave Yost • Auditor of State

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

Morgan Local School District
Morgan County
65 W. Union Street
McConnelsville, Ohio 43756

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan Local School District, Morgan County, Ohio (the School District), as of and for the year ended June 30, 2015, 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 March 17, 2016. We noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016



Dave Yost • Auditor of State

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

Morgan Local School District
Morgan County
65 W. Union Street
McConnelsville, Ohio 43756

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Program (list): • Nutrition Cluster – CFDA #'s 10.553, 10.555	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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MORGAN LOCAL SCHOOL DISTRICT

MORGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2016**