

**MIDVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2017***

LARRY HANNEMAN, INTERIM TREASURER



Dave Yost • Auditor of State

Board of Education
Midview Local School District
13050 Durkee Road
Grafton, Ohio 44044

We have reviewed the *Independent Auditor's Report* of the Midview Local School District, Lorain County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 5, 2018

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**MIDVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Midview Local School District
Lorain County
13050 Durkee Road
Grafton, Ohio 44044

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Midview Local 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 Midview Local 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 Midview Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, Lorain County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, on our consideration of the Midview Local 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 Midview Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 8, 2017

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**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

Our discussion and analysis of the Midview Local School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position decreased \$522,352. Net position of governmental activities decreased \$421,259 from 2016 net position, while the net position of business-type activities decreased \$101,093 from 2016 net position.
- General revenues accounted for \$31,211,294 while program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$6,520,488 of the total revenue of \$37,731,782.
- The District had \$37,189,929 in expenses related to governmental activities; only \$5,558,143 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and unrestricted grants and entitlements), and program revenues were inadequate to provide for these programs resulting in a decrease of net position from a balance of \$(4,393,121) to \$(4,814,380).
- The District had \$1,064,205 in expenses related to business-type activities; a total of \$962,345 was offset by program specific charges for services, grants, and contributions. The District also had investment income of \$767 in the current year.

Using these Basic Financial Statements

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

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and, along with the permanent improvement fund, are the only governmental funds reported as major funds.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct kinds of activities:

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

Business-type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service operations are reported as business-type activities.

**Midview Local School District
Management's Discussion & Analysis
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Unaudited**

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major governmental funds begins on page 13. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, governmental, proprietary, and fiduciary, use different accounting approaches as further described in the notes to the basic financial statements.

Governmental Funds

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

Proprietary Funds

Proprietary funds use the accrual basis of accounting, the same as on the entity-wide statements. Therefore, the statements will essentially match the business-type activities portion of the entity-wide statements.

Fiduciary Funds

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate Statement of Net Position – Fiduciary Funds on page 30. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position for 2017 and 2016.

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

**Table 1
Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 33,972,065	\$ 31,151,942	\$ 155,937	\$ 223,522	\$ 34,128,002	\$ 31,375,464
Restricted assets	1,517,513	2,247,955	-	-	1,517,513	2,247,955
Capital assets, net	<u>39,409,876</u>	<u>41,197,242</u>	<u>224,643</u>	<u>255,135</u>	<u>39,634,519</u>	<u>41,452,377</u>
Total assets	<u>74,899,454</u>	<u>74,597,139</u>	<u>380,580</u>	<u>478,657</u>	<u>75,280,034</u>	<u>75,075,796</u>
Deferred outflows of resources:						
Deferred charge on refunding	809,047	866,836	-	-	809,047	866,836
Pension	<u>9,559,459</u>	<u>3,878,615</u>	<u>187,126</u>	<u>64,248</u>	<u>9,746,585</u>	<u>3,942,863</u>
Total deferred outflows of resources	<u>10,368,506</u>	<u>4,745,451</u>	<u>187,126</u>	<u>64,248</u>	<u>10,555,632</u>	<u>4,809,699</u>
Current liabilities	4,116,699	3,426,905	95,238	81,257	4,211,937	3,508,162
Long-term liabilities:						
Due within one year	1,497,442	1,616,038	24,978	24,204	1,522,420	1,640,242
Other long-term items	19,100,232	21,913,808	28,016	28,766	19,128,248	21,942,574
Net pension liability	<u>48,892,549</u>	<u>38,983,894</u>	<u>834,200</u>	<u>695,498</u>	<u>49,726,749</u>	<u>39,679,392</u>
Total liabilities	<u>73,606,922</u>	<u>65,940,645</u>	<u>982,432</u>	<u>829,725</u>	<u>74,589,354</u>	<u>66,770,370</u>
Deferred inflows of resources:						
Property taxes	15,787,804	14,326,967	-	-	15,787,804	14,326,967
Pension	<u>687,614</u>	<u>3,468,099</u>	<u>6,581</u>	<u>33,394</u>	<u>694,195</u>	<u>3,501,493</u>
Total deferred inflows of resources	<u>16,475,418</u>	<u>17,795,066</u>	<u>6,581</u>	<u>33,394</u>	<u>16,481,999</u>	<u>17,828,460</u>
Net investment in capital assets	20,886,515	21,582,936	224,643	255,135	21,111,158	21,838,071
Restricted for:						
Capital projects	3,713,197	3,448,216	-	-	3,713,197	3,448,216
Debt service	5,400	5,400	-	-	5,400	5,400
Other purposes	947,107	1,681,458	-	-	947,107	1,681,458
Unrestricted (deficit)	<u>(30,366,599)</u>	<u>(31,111,131)</u>	<u>(645,950)</u>	<u>(575,349)</u>	<u>(31,012,549)</u>	<u>(31,686,480)</u>
Total net position (deficit)	\$ <u>(4,814,380)</u>	\$ <u>(4,393,121)</u>	\$ <u>(421,307)</u>	\$ <u>(320,214)</u>	\$ <u>(5,235,687)</u>	\$ <u>(4,713,335)</u>

The net pension liability (NPL) is the largest liability reported by the District at June 30, 2017 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

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

GASB 68 requires the net pension liability to equal the District's proportionate share of each plan's collective:

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

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

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

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting includes their proportionate share of net pension liability and deferred inflows and outflows of resources adjusted for the Districts contributions subsequent to measurement dates and amortization of changes in proportionate share, changes in expected versus actual experience, changes in assumptions and changes in performance of pension fund investments.

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the District, total liabilities and deferred inflows of resources exceed total assets and deferred outflows of resources by \$5,235,687 at the close of the most recent fiscal year. The main reason for the deficit net position is a result of the District recording the activity related to GASB 68. During fiscal year 2017, the District's net position decreased \$522,352. As of June 30, 2017, there is no expectation that the District will be required to increase pension funding to cover the net pension liability.

A portion of the District's net position reflects investments in capital assets (e.g. land, construction in progress, buildings, improvements, machinery and equipment and vehicles), less any related debt to acquire or construct those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets and deferred outflows of resources increased by \$5,950,171 from 2016 to 2017, while the District's total liabilities and deferred inflows of resources increased by \$6,472,523. The main sources for the increase in assets and deferred outflows are related to an increase in cash and cash equivalents and deferred outflows for pension offset by a decrease in capital assets, net. The increase in cash and cash equivalents is a product of the District closely monitoring its revenues and expenditures. The District continues to exercise careful financial planning and prudent fiscal management in order to manage the resources of the 2013 levy. The increase in deferred outflows for pension relates to the District recording its proportionate share of the activity at the pension system level. Capital assets, net decreased as depreciation exceeded capital purchases during the fiscal year.

The most significant change in liabilities and deferred inflows of resources was an increase in long-term liabilities which was related to the change in the net pension liability. This increase was offset by an decrease in deferred inflows of resources related to the District recording its proportionate share of the activity at the pension system level.

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current and prior year.

**Table 2
Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,537,098	\$ 3,711,048	\$ 341,219	\$ 378,949	\$ 4,878,317	\$ 4,089,997
Operating grants and contributions	<u>1,021,045</u>	<u>1,304,195</u>	<u>621,126</u>	<u>619,957</u>	<u>1,642,171</u>	<u>1,924,152</u>
Total program revenues	<u>5,558,143</u>	<u>5,015,243</u>	<u>962,345</u>	<u>998,906</u>	<u>6,520,488</u>	<u>6,014,149</u>
General revenues:						
Property taxes	15,885,539	16,752,874	-	-	15,885,539	16,752,874
Grants and entitlements	14,511,213	15,272,357	-	-	14,511,213	15,272,357
Investment earnings	98,979	23,778	767	1,281	99,746	25,059
Other	<u>714,796</u>	<u>241,889</u>	<u>-</u>	<u>-</u>	<u>714,796</u>	<u>241,889</u>
Total general revenues	<u>31,210,527</u>	<u>32,290,898</u>	<u>767</u>	<u>1,281</u>	<u>31,211,294</u>	<u>32,292,179</u>
Total revenues	<u>36,768,670</u>	<u>37,306,141</u>	<u>963,112</u>	<u>1,000,187</u>	<u>37,731,782</u>	<u>38,306,328</u>
Expenses:						
Program expenses:						
Instruction:						
Regular	18,733,286	16,575,418	-	-	18,733,286	16,575,418
Special	3,689,204	3,032,742	-	-	3,689,204	3,032,742
Vocational	177,588	168,765	-	-	177,588	168,765
Other	150,590	141,056	-	-	150,590	141,056
Support services:						
Pupil	1,567,827	1,322,980	-	-	1,567,827	1,322,980
Instructional staff	1,090,187	1,329,032	-	-	1,090,187	1,329,032
Board of education	373,348	237,828	-	-	373,348	237,828
Administration	2,320,885	1,954,866	-	-	2,320,885	1,954,866
Fiscal	869,665	794,976	-	-	869,665	794,976
Business	6,864	6,651	-	-	6,864	6,651
Operation and maintenance - plant	4,678,837	3,485,020	-	-	4,678,837	3,485,020
Pupil transportation	1,829,646	1,904,351	-	-	1,829,646	1,904,351
Central	53,312	46,719	-	-	53,312	46,719
Operation of non - instructional services:						
Community services	18,440	15,041	-	-	18,440	15,041
Extracurricular activities	941,123	1,010,395	-	-	941,123	1,010,395
Interest and fiscal charges	689,127	818,701	-	-	689,127	818,701
Food service	<u>-</u>	<u>-</u>	<u>1,064,205</u>	<u>1,206,499</u>	<u>1,064,205</u>	<u>1,206,499</u>
Total expenses	<u>37,189,929</u>	<u>32,844,541</u>	<u>1,064,205</u>	<u>1,206,499</u>	<u>38,254,134</u>	<u>34,051,040</u>
Change in net position	(421,259)	4,461,600	(101,093)	(206,312)	(522,352)	4,255,288
Net position at beginning of year	<u>(4,393,121)</u>	<u>(8,854,721)</u>	<u>(320,214)</u>	<u>(113,902)</u>	<u>(4,713,335)</u>	<u>(8,968,623)</u>
Net position at end of year	\$ <u>(4,814,380)</u>	\$ <u>(4,393,121)</u>	\$ <u>(421,307)</u>	\$ <u>(320,214)</u>	\$ <u>(5,235,687)</u>	\$ <u>(4,713,335)</u>

Effects of GASB 68

Under GASB 68, pension expense represents additional amounts earned based on a proportionate share of the pension fund liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 68, the pension expense for 2017 is \$3,914,373, while in 2016 pension expense was \$1,695,732. The District was required to contribute \$2,478,036 and \$2,352,956 during 2017 and 2016, respectively.

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

Governmental Activities

Net position of the District's governmental activities decreased \$421,259. Total governmental expenses of \$37,189,929 were offset by program revenues of \$5,558,143 and general revenues of \$31,210,527. Program revenues supported 14.95% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements not restricted to specific purposes. These two revenue sources represent 82.67% of total governmental revenue. Property taxes support 42.71% of total expenses while grants and entitlements not restricted to specific purposes supported 39.02% of total expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Table 3
Total Cost of Program Services**

	Governmental Activities			
	Total Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2017	Net Cost of Services 2016
Program expenses:				
Instruction:				
Regular	\$ 18,733,286	\$ 16,575,418	\$ 14,878,628	\$ 13,004,786
Special	3,689,204	3,032,742	2,826,511	2,421,896
Vocational	177,588	168,765	176,223	167,575
Other	150,590	141,056	150,590	141,056
Support services:				
Pupil	1,567,827	1,322,980	1,567,827	1,322,980
Instructional staff	1,090,187	1,329,032	1,023,308	1,245,240
Board of education	373,348	237,828	373,348	237,828
Administration	2,320,885	1,954,866	2,320,885	1,954,866
Fiscal	869,665	794,976	869,665	794,976
Business	6,864	6,651	6,864	6,651
Operations and maintenance - plant	4,678,837	3,485,020	4,678,837	3,485,020
Pupil transportation	1,829,646	1,904,351	1,829,646	1,904,351
Central	53,312	46,719	53,312	46,719
Operation of non - instructional services:				
Community services	18,440	15,041	18,440	15,041
Extracurricular activities	941,123	1,010,395	168,575	261,612
Interest and fiscal charges	689,127	818,701	689,127	818,701
Total expenses	<u>\$ 37,189,929</u>	<u>\$ 32,844,541</u>	<u>\$ 31,631,786</u>	<u>\$ 27,829,298</u>

The dependence upon general revenues during fiscal year 2017 for governmental activities is apparent, as 79.26% of 2017 instruction activities are supported by property taxes, grants and entitlements, investment earnings, and other general revenues. The District's taxpayers, as a whole, are the primary support for District's students.

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

Business-Type Activities

Business-type activities are comprised of the food service operations. The food service operations had expenses of \$1,064,205 and revenues of \$963,112. This resulted in a decrease to net position for the fiscal year of \$101,093. Revenues were mostly consistent with the prior year while expenses decreased as the District received a settlement from the food service management company in addition to the effects of GASB 68, which resulted in decreased expenses. Management continually assesses the performance of the food service operations to ensure that it runs efficiently.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$14,495,897, which is greater than last year's total of \$14,482,071. This increase in total fund balance is explained by the increase in the general fund. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	<u>Fund Balance</u> <u>June 30, 2017</u>	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 9,972,249	\$ 7,599,174	\$ 2,373,075
Permanent improvement	2,648,016	4,260,199	(1,612,183)
Other governmental	<u>1,875,632</u>	<u>2,622,698</u>	<u>(747,066)</u>
Total	\$ <u>14,495,897</u>	\$ <u>14,482,071</u>	\$ <u>13,826</u>

General Fund

The District's general fund balance increased \$2,373,075 as the revenues outpaced expenditures.

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Property taxes	\$ 14,331,045	\$ 15,184,787	(5.62)%
Investment earnings	93,159	23,315	299.57
Intergovernmental	14,195,229	15,096,284	(5.97)
Tuition	3,764,550	2,962,265	27.08
Other revenue	<u>1,073,439</u>	<u>737,435</u>	45.56
Total	\$ <u>33,457,422</u>	\$ <u>34,004,086</u>	

Tuition revenue increased in the current fiscal year as the District received more distributions from the State and local districts for placed students with the District. Other revenue increased as the District received two settlement payments related to construction projects.

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Expenditures by Function:			
Instruction	\$ 19,255,953	\$ 17,864,209	7.79%
Support services	9,658,032	9,334,055	3.47
Operation of non-instructional services	3,014	5,599	(46.17)
Facilities acquisition and construction	13,164	6,541	101.25
Extracurricular activities	705,304	759,958	(7.19)
Debt service	<u>78,880</u>	<u>66,758</u>	18.16
Total	<u>\$ 29,714,347</u>	<u>\$ 28,037,120</u>	

Overall, general fund expenditures increased \$1,677,227 from the prior year due to increases in instruction costs, with the main driver regular education instruction.

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, final budget basis revenue, including other financing sources was \$2,039,001 greater than the original budget estimate of \$31,954,700. This increase was mainly from an increase in budgeted intergovernmental revenues. Actual general fund revenues, including other financing sources, were \$34,233,678, or \$239,977 more than budgeted. Final budgeted expenditures, including other financing uses, were \$32,273,723; there were no changes from the original budget. Actual general fund expenditures, including other financing uses, were \$31,592,599 or \$681,124 less than budgeted.

Capital Assets

The District has \$39,634,519 invested in capital assets net of depreciation, with \$39,409,876 attributed to governmental activities. Acquisitions for governmental activities totaled \$450,252 and depreciation was \$2,218,751. The major acquisitions during the fiscal year related to the purchase of two new buses and roof replacement. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 10).

Debt

During the year ended June 30, 2013, the District advance refunded \$23,340,000 in outstanding certificates of participation by issuing refunding certificates of participation in the amount of \$22,595,000. At June 30, 2017, the District still had \$19,105,000 in outstanding refunding certificates of participation and paid \$1,055,000 in principal on the certificates of participation during the fiscal year.

During year ended June 30, 2017, the District elected to extinguish the debt related to the outstanding general obligation bonds prior to the scheduled maturity. The District paid \$1,860,000 in principal on the general obligation bonds outstanding during the fiscal year.

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

Detailed information regarding long-term debt activity is included in the notes to the basic financial statements (Notes 15 and 16).

Current Financial Related Activities

Consistent with many school districts in Ohio, the Midview Local School District is faced with the challenge of maintaining a high standard of education for our students and services to our community, while striving to remain financially stable. The District relies heavily upon property taxes and State funding as the major sources of revenue.

Of these revenue sources, the State funding remained flat for fiscal year 2017. Furthermore, no increase is expected in fiscal year 2018 due to the fact that the district is on the Transitional Aide Guarantee. The future of this "Guarantee" beyond fiscal year 2018 is not known at this time. In response to the limited revenue and increasing costs, the District placed a levy on the February 2013 ballot which the community approved for a 10 year period. The District is very appreciative of the community's support and is dedicated to stretching these funds for years into the future.

In the expenditure areas, the District's operating expenses for fiscal year 2017 did not exceed the operating revenue of fiscal year 2017. This is a trend expected to continue for fiscal year 2018. The administration is committed to searching for additional ways to save money, increasing efficiencies in the daily operations of the District, and pursuing private/public grants opportunities. The District will continue to be good stewards of the resources provided by our taxpayers.

The Midview community has a long history of taking pride in its schools. The Board, administration, and staff are dedicated to working with the community in order to maintain the high standard of education in a safe, effective, and efficient manner. Ultimately the continued success of the District is dependent on the support of the community.

Contacting the District's Financial Management

This financial report is designed to demonstrate the District's accountability for the money it receives and to provide a general overview of the district's finances to our community, creditors, and investors. For additional information about this report, please contact the Finance Department, Midview Local Schools, 13050 Durkee Road, Grafton, Ohio 44044.

Midview Local School District

Statement of Net Position

June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Equity in pooled cash and cash equivalents	\$ 15,704,819	\$ 139,762	\$ 15,844,581
Cash with fiscal agents	2,700	-	2,700
Accounts receivable	48,395	-	48,395
Intergovernmental receivable	484,291	1,147	485,438
Prepaid items	64,346	756	65,102
Materials and supplies inventory	168,400	14,272	182,672
Property taxes receivable	17,499,114	-	17,499,114
Restricted assets:			
Cash and investments	1,517,513	-	1,517,513
Nondepreciable capital assets	2,236,608	-	2,236,608
Depreciable capital assets, net	37,173,268	224,643	37,397,911
Total assets	<u>74,899,454</u>	<u>380,580</u>	<u>75,280,034</u>
Deferred outflows of resources:			
Deferred charge on refunding	809,047	-	809,047
Pensions:			
SERS	1,951,466	187,126	2,138,592
STRS	<u>7,607,993</u>	<u>-</u>	<u>7,607,993</u>
Total deferred outflows of resources	<u>10,368,506</u>	<u>187,126</u>	<u>10,555,632</u>
Liabilities:			
Accounts payable	833,996	26,077	860,073
Accrued wages and benefits	2,724,243	52,171	2,776,414
Accrued pension	382,617	16,990	399,607
Accrued interest payable	98,203	-	98,203
Matured compensated absences	77,640	-	77,640
Long-term liabilities:			
Due within one year	1,497,442	24,978	1,522,420
Due in more than one year:			
Net pension liability:			
SERS	8,699,513	834,200	9,533,713
STRS	40,193,036	-	40,193,036
Other amounts due in more than one year	<u>19,100,232</u>	<u>28,016</u>	<u>19,128,248</u>
Total liabilities	<u>73,606,922</u>	<u>982,432</u>	<u>74,589,354</u>

(continued)

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Statement of Net Position (continued)

June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Deferred inflows of resources:			
Property taxes	15,787,804	-	15,787,804
Pension:			
SERS	68,624	6,581	75,205
STRS	<u>618,990</u>	<u>-</u>	<u>618,990</u>
Total deferred inflows of resources	<u>16,475,418</u>	<u>6,581</u>	<u>16,481,999</u>
Net position:			
Net investment in capital assets	20,886,515	224,643	21,111,158
Restricted for:			
Capital projects	3,713,197	-	3,713,197
Debt service	5,400	-	5,400
Other purposes	947,107	-	947,107
Unrestricted (deficit)	<u>(30,366,599)</u>	<u>(645,950)</u>	<u>(31,012,549)</u>
Total net position (deficit)	<u>\$ (4,814,380)</u>	<u>\$ (421,307)</u>	<u>\$ (5,235,687)</u>

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Instruction:			
Regular education	\$ 18,733,286	\$ 3,382,592	\$ 472,066
Special education	3,689,204	380,593	482,100
Vocational education	177,588	1,365	-
Other	150,590	-	-
Support services:			
Pupils	1,567,827	-	-
Instructional staff	1,090,187	-	66,879
Board of education	373,348	-	-
Administration	2,320,885	-	-
Fiscal services	869,665	-	-
Business	6,864	-	-
Operations and maintenance - plant	4,678,837	-	-
Pupil transportation	1,829,646	-	-
Central	53,312	-	-
Operation of non - instructional services:			
Community services	18,440	-	-
Extracurricular activities	941,123	772,548	-
Interest and fiscal charges	689,127	-	-
Total governmental activities	37,189,929	4,537,098	1,021,045
Business-type activities:			
Food service	1,064,205	341,219	621,126
Totals	\$ 38,254,134	\$ 4,878,317	\$ 1,642,171

General revenues:
 Property and other taxes levied for:
 General purpose
 Capital projects
 Special revenues
 Grant and entitlements not restricted to
 specific programs
 Investment earnings
 Miscellaneous
 Total general revenues

Change in net position

Net position (deficit) at beginning of year

Net position (deficit) at end of year

The accompanying notes are an integral part of these financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
\$ (14,878,628)	\$ -	\$ (14,878,628)
(2,826,511)	-	(2,826,511)
(176,223)	-	(176,223)
(150,590)	-	(150,590)
(1,567,827)	-	(1,567,827)
(1,023,308)	-	(1,023,308)
(373,348)	-	(373,348)
(2,320,885)	-	(2,320,885)
(869,665)	-	(869,665)
(6,864)	-	(6,864)
(4,678,837)	-	(4,678,837)
(1,829,646)	-	(1,829,646)
(53,312)	-	(53,312)
(18,440)	-	(18,440)
(168,575)	-	(168,575)
<u>(689,127)</u>	<u>-</u>	<u>(689,127)</u>
(31,631,786)	-	(31,631,786)
-	(101,860)	(101,860)
<u>(31,631,786)</u>	<u>(101,860)</u>	<u>(31,733,646)</u>
14,223,278	-	14,223,278
1,417,603	-	1,417,603
244,658	-	244,658
14,511,213	-	14,511,213
98,979	767	99,746
714,796	-	714,796
<u>31,210,527</u>	<u>767</u>	<u>31,211,294</u>
(421,259)	(101,093)	(522,352)
<u>(4,393,121)</u>	<u>(320,214)</u>	<u>(4,713,335)</u>
\$ <u>(4,814,380)</u>	\$ <u>(421,307)</u>	\$ <u>(5,235,687)</u>

Midview Local School District

Balance Sheet – Governmental Funds

June 30, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 11,213,860	\$ 2,855,053	\$ 1,306,218	\$ 15,375,131
Cash with fiscal agents	-	-	2,700	2,700
Receivables:				
Property taxes receivable	15,944,487	1,554,627	-	17,499,114
Intergovernmental receivable	231,109	-	253,182	484,291
Interfund receivable	112,000	-	-	112,000
Accounts receivable	43,395	-	5,000	48,395
Materials and supplies inventory	168,400	-	-	168,400
Prepaid items	64,310	-	36	64,346
Restricted assets:				
Restricted cash and investments	<u>423,315</u>	<u>-</u>	<u>1,094,198</u>	<u>1,517,513</u>
Total assets	<u>\$ 28,200,876</u>	<u>\$ 4,409,680</u>	<u>\$ 2,661,334</u>	<u>\$ 35,271,890</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ 255,845	\$ 308,294	\$ 269,857	\$ 833,996
Accrued wages and benefits	2,591,364	-	132,879	2,724,243
Accrued pension	364,789	-	17,828	382,617
Interfund payable	-	-	112,000	112,000
Matured compensated absences	<u>77,640</u>	<u>-</u>	<u>-</u>	<u>77,640</u>
Total liabilities	<u>3,289,638</u>	<u>308,294</u>	<u>532,564</u>	<u>4,130,496</u>
Deferred inflows of resources:				
Property taxes	14,389,955	1,397,849	-	15,787,804
Unavailable revenue	<u>549,034</u>	<u>55,521</u>	<u>253,138</u>	<u>857,693</u>
Total deferred inflows of resources	<u>14,938,989</u>	<u>1,453,370</u>	<u>253,138</u>	<u>16,645,497</u>
Fund balances:				
Nonspendable	232,710	-	36	232,746
Restricted	434,315	2,648,016	2,114,927	5,197,258
Committed	225,084	-	-	225,084
Assigned	522,150	-	13,665	535,815
Unassigned (deficit)	<u>8,557,990</u>	<u>-</u>	<u>(252,996)</u>	<u>8,304,994</u>
Total fund balances	<u>9,972,249</u>	<u>2,648,016</u>	<u>1,875,632</u>	<u>14,495,897</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,200,876</u>	<u>\$ 4,409,680</u>	<u>\$ 2,661,334</u>	<u>\$ 35,271,890</u>

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

June 30, 2017

Total Governmental Funds Balances \$ 14,495,897

Amounts Reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net used in governmental activities are not financial resources and therefore are not reported in the funds. 39,409,876

Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.

Property taxes	\$ 604,555	
Intergovernmental	<u>253,138</u>	
Total		857,693

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (98,203)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Position. 329,688

Long-term liabilities and deferred outflows of resources are not due and payable in the current period and are therefore not reported in the funds.

Certificates of participation	(19,105,000)	
Premium on certifications of participation	(227,408)	
Loss on refunding	809,047	
Compensated absences	<u>(1,265,266)</u>	
Total		(19,788,627)

The net pension liability is not due for payment in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.

Deferred outflows – pension	9,559,459	
Deferred inflows – pension	(687,614)	
Net pension liability	<u>(48,892,549)</u>	
		<u>(40,020,704)</u>

Net position of governmental activities \$ (4,814,380)

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and other taxes	\$ 14,331,045	\$ 1,417,603	\$ 244,658	\$ 15,993,306
Intergovernmental	14,195,229	222,999	929,479	15,347,707
Investment earnings	93,159	1	5,819	98,979
Extracurricular activities	358,602	-	175,396	533,998
Tuition	3,764,550	-	-	3,764,550
Classroom materials and fees	235,898	-	-	235,898
Grants	-	-	72,073	72,073
Miscellaneous	478,939	195,086	123,066	797,091
Total revenues	<u>33,457,422</u>	<u>1,835,689</u>	<u>1,550,491</u>	<u>36,843,602</u>
Expenditures:				
Instruction:				
Regular education	15,817,571	44,208	566,934	16,428,713
Special education	3,190,119	-	378,962	3,569,081
Vocational education	165,073	-	-	165,073
Other	83,190	-	-	83,190
Support services:				
Pupils	1,460,705	-	41,493	1,502,198
Instructional staff	890,997	171,560	17,412	1,079,969
Board of education	371,041	1,500	-	372,541
Administration	1,968,761	-	121,986	2,090,747
Fiscal services	782,413	31,402	-	813,815
Business	6,864	-	-	6,864
Operations and maintenance - plant	2,535,580	185,457	991,054	3,712,091
Pupil transportation	1,604,894	172,666	-	1,777,560
Central	36,777	-	16,535	53,312
Operation of non-instructional services:				
Community services	3,014	-	-	3,014
Extracurricular activities:				
Academic and subject oriented	53,315	-	240	53,555
Sports oriented	497,746	-	170,651	668,397
Co-curricular	154,243	-	-	154,243
Capital outlay:				
Site improvement services	13,164	-	-	13,164
Architecture and engineering services	-	152,466	-	152,466
Building acquisition and construction	-	456,193	17,290	473,483
Debt service:				
Principal	77,491	2,915,000	-	2,992,491
Interest and fiscal charges	1,389	666,429	-	667,818
Total expenditures	<u>29,714,347</u>	<u>4,796,881</u>	<u>2,322,557</u>	<u>36,833,785</u>

(continued)

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (continued)

For the Fiscal Year Ended June 30, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Total excess of revenues over (under) expenditures	<u>3,743,075</u>	<u>(2,961,192)</u>	<u>(772,066)</u>	<u>9,817</u>
Other financing sources (uses):				
Transfers - in	-	1,345,000	25,000	1,370,000
Sale of capital assets	-	4,009	-	4,009
Transfers - out	<u>(1,370,000)</u>	<u>-</u>	<u>-</u>	<u>(1,370,000)</u>
Total other financing sources (uses)	<u>(1,370,000)</u>	<u>1,349,009</u>	<u>25,000</u>	<u>4,009</u>
Net change in fund balance	2,373,075	(1,612,183)	(747,066)	13,826
Fund balance at beginning of year	<u>7,599,174</u>	<u>4,260,199</u>	<u>2,622,698</u>	<u>14,482,071</u>
Fund balance at end of year	\$ <u>9,972,249</u>	\$ <u>2,648,016</u>	\$ <u>1,875,632</u>	\$ <u>14,495,897</u>

The accompanying notes are an integral part of these financial statements.

Midview Local School District

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 13,826

Amounts Reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and capital outlays differed in the current period.

Capital outlay	\$ 450,252	
Depreciation	<u>(2,218,751)</u>	
Total		(1,768,499)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. (18,867)

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

Delinquent property and other taxes	(107,767)	
Intergovernmental	82,835	
Miscellaneous	<u>(50,000)</u>	
Total		(74,932)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 2,992,491

Internal Service Funds are used by management to charge to costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the Internal Service Fund is reported with Governmental Activities. (20,081)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated absences	(76,562)	
Amortization of premium	16,243	
Amortization of deferred loss on refunding	(57,789)	
Accrued interest on bonds	<u>20,237</u>	
Total		(97,871)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 2,426,936

Except for amounts reported as deferred outflows/inflows, changes in net pension liability are reported as pension expense in the Statement of Activities. (3,874,262)

Change in Net Position of Governmental Activities \$ (421,259)

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP) and Actual – General Fund

For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property and other taxes	\$ 14,934,021	\$ 14,934,021	\$ 15,223,019	\$ 288,998
Intergovernmental	12,628,515	14,150,160	14,113,577	(36,583)
Investment earnings	83,226	93,254	93,013	(241)
Extracurricular activities	215,863	241,873	241,248	(625)
Tuition	3,365,631	3,771,165	3,761,415	(9,750)
Classroom materials and fees	211,076	236,509	235,898	(611)
Miscellaneous	417,868	468,219	467,008	(1,211)
Total revenues	<u>31,856,200</u>	<u>33,895,201</u>	<u>34,135,178</u>	<u>239,977</u>
Expenditures:				
Instruction:				
Regular education	15,977,203	15,977,203	15,753,216	223,987
Special education	3,338,841	3,338,841	3,292,034	46,807
Vocational education	166,938	166,938	164,598	2,340
Other	143,346	143,346	141,336	2,010
Supporting services:				
Pupils	1,528,867	1,528,867	1,507,433	21,434
Instructional staff	933,686	933,686	920,597	13,089
Board of education	429,884	429,884	423,858	6,026
Administration	2,054,034	2,054,034	2,025,238	28,796
Fiscal services	808,232	808,232	796,901	11,331
Business	9,440	9,440	9,308	132
Operation and maintenance - plant	2,751,376	2,751,376	2,712,804	38,572
Pupil transportation	1,719,254	1,719,254	1,695,152	24,102
Central	40,973	40,973	40,398	575
Community services	3,517	3,517	3,468	49
Extracurricular activities:				
Academic and subject oriented	43,182	43,182	42,577	605
Sports oriented	524,632	524,632	517,277	7,355
Co-curricular	45,283	45,283	44,648	635
Capital outlay	20,035	20,035	19,756	279
Total expenditures	<u>30,538,723</u>	<u>30,538,723</u>	<u>30,110,599</u>	<u>428,124</u>
Excess revenues over (under) expenditures	<u>1,317,477</u>	<u>3,356,478</u>	<u>4,024,579</u>	<u>668,101</u>

(continued)

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP) and Actual – General Fund (continued)

For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Advances - in	98,500	98,500	98,500	-
Transfers - out	(1,620,000)	(1,620,000)	(1,370,000)	250,000
Advances - out	<u>(115,000)</u>	<u>(115,000)</u>	<u>(112,000)</u>	<u>3,000</u>
Total other financing sources (uses)	<u>(1,636,500)</u>	<u>(1,636,500)</u>	<u>(1,383,500)</u>	<u>253,000</u>
Net change in fund balance	(319,023)	1,719,978	2,641,079	921,101
Fund balance at beginning of year	7,656,174	7,656,174	7,656,174	-
Prior year encumbrances appropriated	<u>573,725</u>	<u>573,725</u>	<u>573,725</u>	<u>-</u>
Fund balance at end of year	\$ <u>7,910,876</u>	\$ <u>9,949,877</u>	\$ <u>10,870,978</u>	\$ <u>921,101</u>

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Statement of Fund Net Position – Proprietary Funds

June 30, 2017

	Business-Type Activities	Governmental Activities
	Food Service	Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 139,762	\$ 329,688
Prepaid items	756	-
Intergovernmental Receivable	1,147	-
Materials and supplies inventory	14,272	-
Total current assets	<u>155,937</u>	<u>329,688</u>
Non-current assets:		
Depreciable capital assets, net	<u>224,643</u>	<u>-</u>
Total assets	<u>380,580</u>	<u>329,688</u>
Deferred outflows of resources:		
Pension – SERS	<u>187,126</u>	<u>-</u>
Liabilities:		
Current liabilities:		
Accounts payable	26,077	-
Accrued wages and benefits	52,171	-
Accrued pension	16,990	-
Current portion of compensated absences	24,978	-
Total current liabilities	<u>120,216</u>	<u>-</u>
Long-term liabilities:		
Compensated absences	28,016	-
Net pension liability – SERS	<u>834,200</u>	<u>-</u>
Total long-term liabilities	<u>862,216</u>	<u>-</u>
Total liabilities	<u>982,432</u>	<u>-</u>
Deferred inflows of resources:		
Pension – SERS	<u>6,581</u>	<u>-</u>
Net position:		
Net investment in capital assets	224,643	-
Unrestricted (deficit)	<u>(645,950)</u>	<u>329,688</u>
Total (deficit) net position	<u>\$ (421,307)</u>	<u>\$ 329,688</u>

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds

For the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Food Service</u>	<u>Internal Service Fund</u>
Operating revenues:		
Charges for services	\$ <u>341,219</u>	\$ <u>-</u>
Operating expenses:		
Salaries and wages	322,860	-
Fringe benefits	137,522	-
Contractual services	496,490	34,190
Materials and supplies	63,238	1,599
Other operating expenses	13,603	-
Depreciation expense	30,492	-
Total operating expenses	<u>1,064,205</u>	<u>35,789</u>
Operating loss	<u>(722,986)</u>	<u>(35,789)</u>
Non-operating revenues:		
Federal donated commodities	68,451	-
Investment earnings	767	-
Grant revenue	552,675	-
Other non-operating revenue	<u>-</u>	<u>15,708</u>
Total non-operating revenues	<u>621,893</u>	<u>15,708</u>
Net loss	(101,093)	(20,081)
Total (deficit) net position at beginning of year	<u>(320,214)</u>	<u>349,769</u>
Total (deficit) net position at end of year	\$ <u><u>(421,307)</u></u>	\$ <u><u>329,688</u></u>

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2017

	Business-Type Activities	Governmental Activities
	Food Service	Internal Service Fund
Decrease in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from customers	\$ 341,219	\$ -
Cash payments for contractual services	(496,490)	(34,190)
Cash payments for materials and supplies	(578)	(1,599)
Cash payments to employees for services	(325,437)	-
Cash payments for employee benefits	(144,820)	-
Cash payments for other operating expenses	(1,468)	-
<i>Net cash used by operating activities</i>	<u>(627,574)</u>	<u>(35,789)</u>
Cash flows from non-capital financing activities:		
Non-operating revenue	-	15,708
Grants received	572,536	-
<i>Net cash provided by non-capital financing activities</i>	<u>572,536</u>	<u>15,708</u>
Cash flows from investing activities:		
Interest on investments	767	-
Net decrease in cash and cash equivalents	(54,271)	(20,081)
Cash and cash equivalents at beginning of year	194,033	349,769
Cash and cash equivalents at end of year	\$ <u>139,762</u>	\$ <u>329,688</u>
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (722,986)	\$ (35,789)
Adjustments:		
Depreciation	30,492	-
Federal donated commodities	68,451	-
Changes in assets/liabilities:		
Increase in prepaid items	(756)	-
Increase in inventory	(5,791)	-
Decrease in deferred outflows – pension	59,425	-
Increase in accounts payable	12,891	-
Decrease in accrued wages and benefits	(2,112)	-
Increase in accrued compensated absences	24	-
Decrease in net pension liability	(43,920)	-
Decrease in deferred outflows – pension	(26,494)	-
Increase in accrued pension	3,202	-
Total adjustments	<u>95,412</u>	<u>-</u>
<i>Net cash used by operating activities</i>	\$ <u>(627,574)</u>	\$ <u>(35,789)</u>

Schedule of non-cash, non-capital financing activities:

During the year, the food services fund received donated commodities of \$68,451.

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Statement of Net Position – Fiduciary Funds

June 30, 2017

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 126,895
Intergovernmental receivable	<u>35</u>
Total assets	\$ <u>126,930</u>
Liabilities:	
Due to others	\$ <u>126,930</u>
Total liabilities	\$ <u>126,930</u>

The accompanying notes are an integral part of these financial statements.

Midview Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 1: Description of the School District and Reporting Entity

The Midview Local School District (the "District") is located in Lorain County in Northern Ohio. The District includes the townships of Belden, Eaton, Carlisle and Grafton and the Village of Grafton, covering approximately 64 square miles.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 149 non-certified and 192 certified (including administrative) full-time and part-time employees to provide services to approximately 3,046 students in grades K through 12 and various community groups.

Note 2: Summary of Significant Accounting Policies

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. Component units are legally separate organizations for which the District is financially accountable.

The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

The District participates in four jointly governed organizations and is associated with one related organization, which are discussed in Note 17. The District is also a participant in a public-entity risk-sharing pool, which is discussed in Note 17.

The District is not involved in the budgeting or the management of Parent-Teacher Organizations, booster clubs or the Midview Endowment Fund. The District is also not responsible for any debt and has no influence over these organizations, clubs or Fund.

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

Permanent Improvement Fund

The permanent improvement fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Other governmental funds of the District are used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs; and for grants and other resources whose use is restricted to a particular purpose.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Proprietary Funds

Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows. They are classified as either enterprise or internal service.

Enterprise Funds

The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District has one enterprise fund to account for food service operations.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District has one internal service fund to account for health and wellness costs.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has three agency funds to account for resources that belong to the student bodies, to account for costs related to Ohio High School Athletic Association tournaments and to account for property tax revenues for the Grafton Public Library.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

Fund Financial Statements

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a Balance Sheet, which generally includes only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

Fund Financial Statements (continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Revenues - Exchange and Non-exchange Transactions (continued)

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

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

Unearned Revenue

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The District does not have any unearned revenue at June 30, 2017.

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements that report net position may include a 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. The District has deferred outflows of resources for a deferred charge on refunding and for pension reported in the Statements of Net Position. The amount related to the proprietary funds is also reported in the fund financial statements. 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 11.

In addition to liabilities, the statements that report net position may include 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 inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, unavailable revenue, and amounts for the pensions. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes 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 of resources related to pension are reported on the government-wide statement of net position and in the proprietary funds statement of fund net position.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Expenses/Expenditures

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

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2017 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 15, the Board-adopted budget is filed with the Lorain County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2017.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which are the legal levels of budgetary control (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term inter-fund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control for a fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocate or increase the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2017.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

F. Cash and Cash Equivalents

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements. The District may also utilize an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as “restricted cash and investments” and represents deposits or investments in money market accounts. At June 30, 2017, there was a \$63,206 balance held with an escrow agent for construction contracts.

During fiscal year 2017, investments were limited to STAR Ohio (the State Treasury Asset Reserve of Ohio) and repurchase agreements. Except for nonparticipating contracts, investments are reported at fair value which is based on quoted market prices.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Money market investments, including U.S. Treasury and agency obligations that had a remaining maturity of one year or less at the time of purchase by the District, are reported at cost.

STAR Ohio, is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District measures their investment in STAR Ohio at amortized cost.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$93,159, which includes \$11,643 assigned from other District funds.

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the general fund to the extent its cash and investments balance exceeds the cumulative value of those investments subject to GASB Statement No. 31.

If there is a gain/loss resulting from the valuation it will be reported within the investment earnings account on the Statement of Activities.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

Purchased inventories are presented at cost on a first-in, first-out basis and are expensed/expenses when used and donated commodities are presented at their entitlement value. Inventory consists of donated food, purchased food, school supplies held for resale, and materials and supplies for consumption.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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 expenditures/expense is reported in the fiscal year in which services are consumed.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include amounts required by state Statute to be set-aside for capital acquisition (Note 20). Restricted assets in the other governmental funds include amounts for the classroom facilities assistance program.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$3,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also 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:

Description	Governmental Activities Estimated Lives	Business - Type Activities Estimated Lives
Land Improvements	3-40 years	N/A
Buildings and Improvements	2-40 years	N/A
Furniture and Equipment	3-20 years	4-20 years
Vehicles	8-20 years	N/A

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Compensated Absences

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

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements and the liability due from proprietary funds is also reported on the proprietary fund financial statements.

M. Accrued Liabilities and Long-term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, special termination benefits and the net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, payments made more than sixty days after year end are considered not to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

N. 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.

O. Net Position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. As of June 30, 2017, net position restricted was \$4,665,704 in the Statement of Net Position, none of which were by enabling legislation.

P. Fund Balance

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

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

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

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

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

P. Fund Balance (continued)

Assigned: Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted 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 policies of the District Board of Education. Through the District's purchasing policy, the Board has given the Treasurer the authority to constrain monies for intended purposes.

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

The District applies restricted resources first when expenditures are incurred for purposes for which 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 amounts in any of the unrestricted fund balance classifications could be used.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales and miscellaneous for food service and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. Revenues and expenditures not meeting this definition are reported as non-operating.

R. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

S. Estimates

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

Note 3: Change in Accounting Principles

For fiscal year 2017, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosure* and GASB Statement No. 80, *Blending Requirements for Certain Component Units*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 80 clarifies the financial statement presentation requirements for certain component units. The implementation of this Statement had no impact on the District's financial statements or disclosures.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, improves information provided by state and local governmental employers about financial support for other postemployment benefits that are provided by other entities. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. The District has not determined the impact that this Statement will have on its financial statements and disclosures.

Note 4: Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable:				
Prepays	\$ 64,310	\$ -	\$ 36	\$ 64,346
Inventory	<u>168,400</u>	<u>-</u>	<u>-</u>	<u>168,400</u>
Total nonspendable	<u>232,710</u>	<u>-</u>	<u>36</u>	<u>232,746</u>

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 4: Fund Balances (continued)

<u>Fund Balances</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Restricted for:				
Debt service payments	-	-	5,400	5,400
Community activities	-	-	254,784	254,784
Athletics	-	-	87,063	87,063
Capital improvements	423,315	2,648,016	1,675,551	4,746,882
Other purposes	<u>11,000</u>	<u>-</u>	<u>92,129</u>	<u>103,129</u>
Total restricted	<u>434,315</u>	<u>2,648,016</u>	<u>2,114,927</u>	<u>5,197,258</u>
Committed to:				
Other purposes	<u>225,084</u>	<u>-</u>	<u>-</u>	<u>225,084</u>
Assigned to:				
Subsequent year's budget:				
Appropriation of fund balance	160,117	-	-	160,117
Capital improvements	-	-	13,665	13,665
Other purposes	<u>362,033</u>	<u>-</u>	<u>-</u>	<u>362,033</u>
Total assigned	<u>522,150</u>	<u>-</u>	<u>13,665</u>	<u>535,815</u>
Unassigned (deficit)	<u>8,557,990</u>	<u>-</u>	<u>(252,996)</u>	<u>8,304,994</u>
Total fund balance	\$ <u>9,972,249</u>	\$ <u>2,648,016</u>	\$ <u>1,875,632</u>	\$ <u>14,495,897</u>

Note 5: Budgetary Basis of Accounting

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

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP) and Actual 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 basis are as follows:

- (a) Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- (b) Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- (c) Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- (d) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 5: Budgetary Basis of Accounting (continued)

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

	<u>Net Change In Fund Balance</u>
GAAP Basis	\$ 2,373,075
Net Adjustment for Revenue Accruals	810,362
Advances - in	98,500
Net Adjustment for Expenditure Accruals	77,499
Advances - out	(112,000)
Adjustment for Encumbrances	(607,191)
To reclassify the net change in fund balance for funds combined with the general fund for GASB 54	<u>834</u>
Budget Basis	\$ <u><u>2,641,079</u></u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the special trust fund, the uniform school supplies fund, the summer school fund, the public school support fund, the special enterprise fund and the underground storage tanks fund.

Note 6: Deposits and Investments

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

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

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

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

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

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 6: Deposits and Investments (continued)

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

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

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

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 6: Deposits and Investments (continued)

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

Deposits

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of District funds shall be required to pledge as security for repayment of all public moneys. The District has no policy for custodial credit risk beyond the requirements of State statute.

At year-end, the carrying amount of the District's deposits was \$2,394,355 and the bank balance was \$2,739,906. Of the bank balance, \$258,234 was covered by Federal depository insurance and \$2,481,672 was collateralized with securities held by the pledging institution's trust department, not in the District's name.

Investments

Investments are reported at measurement value. As of June 30, 2017, the District had the following investments:

	<u>Measurement Value</u>	<u>Maturity</u>
STAR Ohio: amortized cost	\$ 12,315,723	Less than 6 months
Repurchase agreement	<u>2,781,611</u>	Less than 6 months
Total investments	\$ <u>15,097,334</u>	

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

The District has the following recurring fair value measurements as of June 30, 2017:

- STAR Ohio is measured at amortized cost, which approximates fair value. At June 30, 2017, the average days to maturity was 45.5.
- Repurchase agreement is measured at cost, which approximates fair value and level 2 inputs.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 6: Deposits and Investments (continued)

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk requiring that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The District investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the District must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is addressed by the District's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. STAR Ohio carries a rating AAAM by Standard & Poor's while the repurchase agreement is not rated.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The District's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations.

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAR Ohio	81.58%
Repurchase agreement	18.42%

Note 7: Receivables

Receivables at June 30, 2017 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables reported on the Statement of Net Position follows:

Governmental activities:	
Title VI-B IDEA	\$ 129,198
Title I	86,001
Tuition	85,510
Miscellaneous state and federal grants	37,939
Casino receivable	81,583
Medicaid reimbursement	11,680
BWC rebate	<u>52,380</u>
Total governmental activities	\$ <u>484,291</u>

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 7: Receivables (continued)

Receivables have been disaggregated on the face of the basic finance statements. All receivables are expected to be collected within the subsequent year.

Note 8: Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, are levied after April 1, 2016 and are collected in 2017 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.

Tangible personal property tax revenue received from telephone companies during calendar 2017 were levied after October 1, 2016, on the value as of December 31, 2016. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures, is no longer levied and collected.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Midview Local School District. The County Auditor periodically advances to the District its portion of the taxes. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 8: Property Taxes (continued)

The assessed values upon which the fiscal year 2017 taxes were collected are:

	<u>2016 Second-Half Collections</u>		<u>2017 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 436,210,710	94.66%	\$ 439,991,110	93.11%
Public Utility Personal	<u>24,585,670</u>	<u>5.34%</u>	<u>32,576,190</u>	<u>6.89%</u>
	<u>\$ 460,796,380</u>	<u>100.00%</u>	<u>\$ 472,567,300</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ <u>56.93</u>		\$ <u>56.60</u>	

Accrued property taxes receivable includes real property, public utility property, and tangible personal taxes which became measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year fiscal year operations. The receivable is, therefore, offset by a credit to deferred inflow of resources for that portion not levied to finance current fiscal year operations. The late settlement and the amount available to the District as an advance at June 30, 2017 are recognized as revenue.

At June 30, 2017, \$1,005,498 was available as an advance to the general fund and \$101,257 for the permanent improvement fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

Note 9: Interfund Transfers and Balances

A. Interfund Balances

Interfund loans receivable/payable consisted of the following at June 30, 2017, as reported on the fund statement.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 112,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid in the next fiscal year once the anticipated revenues are received.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 9: Interfund Transfers and Balances (continued)

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund statements.

	<u>Amount</u>
Transfers from general fund to:	
Permanent improvement fund	\$ 1,345,000
Other governmental funds	<u>25,000</u>
	\$ <u>1,370,000</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance at 6/30/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassification</u>	<u>Balance at 6/30/17</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,236,608	\$ -	\$ -	\$ -	\$ 2,236,608
Total capital assets, not being depreciated	<u>2,236,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,236,608</u>
Capital assets, being depreciated:					
Land improvements	6,309,108	9,970	-	840,585	7,159,663
Buildings and improvements	53,099,550	189,570	-	(857,072)	52,432,048
Furniture and equipment	5,493,862	52,879	(71,117)	98,276	5,573,900
Vehicles	<u>3,063,441</u>	<u>197,833</u>	<u>(131,701)</u>	<u>(81,789)</u>	<u>3,047,784</u>
Total capital assets, being depreciated	<u>67,965,961</u>	<u>450,252</u>	<u>(202,818)</u>	<u>-</u>	<u>68,213,395</u>
Less accumulated depreciation:					
Land improvements	(3,676,755)	(438,183)	-	(301,316)	(4,416,254)
Buildings and improvements	(19,799,620)	(1,213,107)	-	301,824	(20,710,903)
Furniture and equipment	(3,640,015)	(443,566)	65,421	(2,348)	(4,020,508)
Vehicles	<u>(1,888,937)</u>	<u>(123,895)</u>	<u>118,530</u>	<u>1,840</u>	<u>(1,892,462)</u>
Total accumulated depreciation	<u>(29,005,327)</u>	<u>(2,218,751)</u>	<u>183,951</u>	<u>-</u>	<u>(31,040,127)</u>
Total capital assets being depreciated, net	<u>38,960,634</u>	<u>(1,768,499)</u>	<u>(18,867)</u>	<u>-</u>	<u>37,173,268</u>
Governmental activities capital assets, net	\$ <u>41,197,242</u>	\$ <u>(1,768,499)</u>	\$ <u>(18,867)</u>	\$ <u>-</u>	\$ <u>39,409,876</u>

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 10: Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular education	\$ 1,467,501
Special education	4,342
Vocational education	2,945
Other	67,400

Support services:

Instructional staff	23,813
Administration	6,526
Operations and maintenance - plant	491,888
Pupil transportation	136,294
Community Services	2,901
Extracurricular activities	<u>15,141</u>

Total \$ 2,218,751

	<u>Balance at 6/30/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/17</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ <u>651,826</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>651,826</u>
Total capital assets being depreciated	<u>651,826</u>	<u>-</u>	<u>-</u>	<u>651,826</u>
Less accumulated depreciation:				
Furniture and equipment	<u>(396,691)</u>	<u>(30,492)</u>	<u>-</u>	<u>(427,183)</u>
Total accumulated depreciation	<u>(396,691)</u>	<u>(30,492)</u>	<u>-</u>	<u>(427,183)</u>
Business-type activities capital assets, net	\$ <u>255,135</u>	\$ <u>(30,492)</u>	\$ <u>-</u>	\$ <u>224,643</u>

Note 11: Pension Plans

A. Net Pension Liability

The net pension liabilities reported on the Statements of Net Position represent 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 occurred in the past.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 11: Pension Plans (continued)

A. Net Pension Liability (continued)

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

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

GASB Statement No. 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.

B. Plan Description - School Employees Retirement System (SERS)

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

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 11: Pension Plans (continued)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The District’s contractually required contribution to SERS was \$584,003 for fiscal year 2017. The District contributed 100 percent of the required contribution as of June 30, 2017.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS, 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.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 11: Pension Plans (continued)

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

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 exception, the basic benefit is increased each year by 2.0 percent of the original based benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan benefits are established under Chapter 3307.80 to 3307.89 of the Ohio Revised Code. 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, 12 percent of the 14 percent member rate goes to the DC Plan and 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination at age 50 or later.

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.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 11: Pension Plans (continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equivalent to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,894,033 for fiscal year 2017. Of this amount, \$330,018 is reported as accrued pension.

D. 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Subsequent payments made during the current fiscal year are accounted for as deferred outflows. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of net pension liability prior measurement date	0.130149%	0.116702%	
Proportion of net pension liability current measurement date	<u>0.130258%</u>	<u>0.120076%</u>	
Change in proportionate share	<u>0.000109%</u>	<u>0.003374%</u>	
Proportionate share of the net pension liability	\$ 9,533,713	\$ 40,193,036	\$ 49,726,749
Pension expense	\$ 957,383	\$ 2,956,990	\$ 3,914,373

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 11: Pension Plans (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 128,588	\$ 1,623,992	\$ 1,752,580
Change in assumptions	636,427	-	636,427
Net difference between projected and actual earned on investments	786,393	3,337,102	4,123,495
Changes in proportionate share and difference between District contributions and proportionate share of contributions	3,181	752,866	756,047
District contributions subsequent to the measurement date	<u>584,003</u>	<u>1,894,033</u>	<u>2,478,036</u>
Total deferred outflows of resources	\$ <u>2,138,592</u>	\$ <u>7,607,993</u>	\$ <u>9,746,585</u>
Deferred inflows of resources			
Changes in proportionate share and difference between District contributions and proportionate share of contributions	\$ <u>75,205</u>	\$ <u>618,990</u>	\$ <u>694,195</u>

The District reported \$2,478,036 as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 354,081	\$ 767,378	\$ 1,121,459
2019	353,513	767,378	1,120,891
2020	545,734	2,047,917	2,593,651
2021	<u>226,056</u>	<u>1,512,297</u>	<u>1,738,353</u>
Total	\$ <u>1,479,384</u>	\$ <u>5,094,970</u>	\$ <u>6,574,354</u>

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 11: Pension Plans (continued)

E. 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both set-back one year for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates, and 100% for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 11: Pension Plans (continued)

E. Actuarial Assumptions - SERS (continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00%</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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.

In April 2016, SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change was a reduction in the discount rate from 7.75 percent to 7.50 percent.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 11: Pension Plans (continued)

E. Actuarial Assumptions - SERS (continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
District's proportionate share of the net pension liability	\$ 12,622,042	\$ 9,533,713	\$ 6,948,653

F. Actuarial Assumptions - STRS

Actuarial assumptions used in the June 30, 2017 valuation are based on prior year measurement date of June 30, 2016. The actuarial assumptions used in the valuation are based on the results of an actuarial experience study, effective July 1, 2012. The 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, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 11: Pension Plans (continued)

F. Actuarial Assumptions - STRS (continued)

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

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

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent for June 30, 2016 included in the pension liability and related deferred inflow and outflow calculations. 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 increase 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, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. 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.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 53,413,280	\$ 40,193,036	\$ 29,040,982

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 11: Pension Plans (continued)

F. Actuarial Assumptions - STRS (continued)

Changes between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend the cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

G. 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, 2017, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12: Post-Employment Benefits

A. School Employees Retirement System

Health Care Plan Description - Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible non-certificated retirees and beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other post-employment benefit (OPEB) plan. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Ohio Revised Code provides statutory authority to fund SERS' postemployment benefits through employer contributions. 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 members do not make contributions to the post-employment benefit plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The 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.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 12: Post-Employment Benefits (continued)

A. School Employees Retirement System (continued)

Funding Policy - The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.0%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total state-wide SERS covered payroll for the health care surcharge. 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 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, is the total amount assigned to the Health Care Fund. For fiscal year 2017, the District's surcharge obligation was \$69,589.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$69,589, \$65,066, and \$101,516, respectively. The full amount has been contributed for fiscal years 2016 and 2015, while \$-0- has been funded for the year ended June 30, 2017. The unfunded amount at June 30, 2017 is included as accrued pension.

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 partial 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.

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 Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015 STRS Ohio did not allocate any employer contributions to post-employment health care.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 13: Other Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation, personal leave, sick leave, and compensatory time components are derived from negotiated agreements and State laws. Classified employees and administrators earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for 25 percent of the total sick leave accumulation, up to a maximum accumulation of 340 days for certified employees. For administrators, payment is made for 25 percent of the total sick leave accumulation, up to a maximum accumulation of 340 days. For classified employees, the payment is made for 25 percent of the first 100 days accumulated; 35 percent for days 101-250; and 50 percent for days 251-351. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. *Life Insurance*

The District provides life insurance and accidental death and dismemberment insurance to most employees through Ohio Schools' Council Association. The amounts provided for all employees equal the employee's annual salary times two up to a limit of \$250,000.

C. *Early Retirement Incentive*

The District offers employees participation in a Retirement Incentive Program. Participation is open to certificated employees who opt to retire at the end of any school year and have been approved by STRS Ohio to receive retirement benefits other than disability retirement. Eligible employees must notify the Board of their intention to retire in writing, no later than March 15 of the year they intend to retire. Eligible employees who fulfill the above requirements will receive a lump sum payment of \$20,000. Certain classified employees are also eligible to receive a retirement incentive.

The last installment of the 2016-2017 Retirement Incentive Programs will be completed in January 2018. The payment of \$20,000 will be made from the general fund.

Note 14: Risk Management

A. *Property and Liability*

The 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 2017, the District has contracted with Schools of Ohio Risk Sharing Authority (Agent: CF Risk & Insurance LLC) for property and general liability insurance. Professional liability is provided by Schools of Ohio Risk Sharing Authority with a \$17,000,000 aggregate limit.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 14: Risk Management (continued)

A. Property and Liability (continued)

Vehicles are covered by the Schools of Ohio Risk Sharing Authority. Automobile liability has a \$15,000,000 combined single limit of liability.

Performance bonds of \$20,000 are maintained for the treasurer by the Hylant Group.

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

B. Worker's Compensation

For fiscal year 2017, the District participated in the Better Business Bureau of Central Ohio Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. The firm Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the GRP.

C. Medical

The District has joined the Lake Erie Regional Council (LERC) to provide medical, dental and vision benefits for its employees and their covered dependents. LERC is a shared risk pool or consortium comprised of eleven school districts within Lorain County. The participating districts pay monthly contributions that are placed in a common fund, from which eligible claims and expenses are paid for employees (and their covered dependents) of participating school districts. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$250,000 per participant.

Premium contributions are determined annually based on the claims experience of the shared risk-pool. Premiums can only be increased or decreased as approved by council. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating districts' claims would be paid without regard to their individual account balances. This plan provides a medical, dental and vision plan with a \$1,500 deductible for family coverage and \$750 deductible for single coverage. There is the opportunity for members to reduce the deductibles to \$1,000 for family coverage and \$500 for single coverage through a wellness incentive.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 15: Long-Term Liabilities

Changes in long-term debt activity for the year ended June 30, 2017 was as follows:

	Interest Rate	Issue Date	Balance 6/30/16	Additions	Reductions	Balance 6/30/17	Amounts Due in One Year
Governmental activities:							
Certificates of participation	3.0% - 4.0%	11/02/12	\$ 20,160,000	\$ -	\$ 1,055,000	\$ 19,105,000	\$ 1,100,000
Premium on certificates of participation	n/a	11/02/12	243,651	-	16,243	227,408	-
GO Judgment bonds	4.97%	06/26/07	1,860,000	-	1,860,000	-	-
Capital leases payable	n/a	n/a	77,491	-	77,491	-	-
Net pension liability:							
SERS	n/a	n/a	6,730,901	1,968,612	-	8,699,513	-
STRS	n/a	n/a	32,252,993	7,940,043	-	40,193,036	-
Compensated absences	n/a	n/a	<u>1,188,704</u>	<u>482,121</u>	<u>405,559</u>	<u>1,265,266</u>	<u>397,442</u>
Total governmental activities			\$ <u>62,513,740</u>	\$ <u>10,390,776</u>	\$ <u>3,414,293</u>	\$ <u>69,490,223</u>	\$ <u>1,497,442</u>
Business-type activities:							
Net pension liability – SERS	n/a	n/a	\$ 695,498	\$ 138,702	\$ -	\$ 834,200	\$ -
Compensated absences	n/a	n/a	<u>52,970</u>	<u>12,799</u>	<u>12,775</u>	<u>52,994</u>	<u>24,978</u>
Total business-type activities			\$ <u>748,468</u>	\$ <u>151,501</u>	\$ <u>12,775</u>	\$ <u>887,194</u>	\$ <u>24,978</u>

The government pays obligations related to employee compensation from the fund receiving the benefit.

Certificates of Participation – In April 2003, the District entered into a lease agreement with the Lorain County Port Authority for three new schools. The lease is an annual lease subject to renewal for 27 years through December 30, 2030. In April 2004, the District entered into another lease agreement with the Lorain County Port Authority for the three new schools. This lease is an annual lease subject to renewal for 26 years through November 1, 2030. On November 2, 2012, the District advance refunded these certificates of participation.

On November 2, 2012, the District issued \$22,595,000 in certificates of participation (“series 2012 certificates”) for the purpose of advance refunding certificates of participation outstanding in order to take advantage of lower interest rates. The interest rates range from 3.0 percent to 4.0 percent. The series 2012 certificates were sold at a premium of \$308,623. Proceeds of \$22,434,891 and cash reserves of \$2,003,101 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the certificates of participation. As of June 30, 2017 the refunded debt has been fully redeemed.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 15: Long-Term Liabilities (continued)

The Leasing Corporation entered into an agreement with a trustee through which it assigned and transferred rights and interest under the lease to the Bank of New York Trust Company, N.A. as Trustee. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semi-annual lease payments. Proceeds from the issuance were mainly used to construct three new schools. In addition, terms of the trust indenture required a portion of the proceeds to be set aside for current and future certificate payments. The current certificate payment account is used to account for resources accumulated for payment over the next twelve months. The reserve account was established solely to make rent payments if a deficiency exists in the current certificate payment and, if all payments are current, to make payment of the last certificate payments.

The obligation of the District under the lease and any subsequent lease renewal is subject to annual appropriation of the rental payments. Legal title to the facilities remains with the Bank of New York Trust Company, N.A., i.e. the leasing corporation, until all payments required under the lease have been made. At that time, title will transfer to the District.

The annual principal and interest requirements are payable from resources from the permanent improvement fund. The Certificates of Participation are not a general obligation of the District but are payable only from appropriations by the District for annual lease payments.

General Obligation Bonds – In June 2007, the District issued \$2,390,000 of general obligation bonds for the purpose of paying final judgment costs, including defense costs and expenses. The general obligation bonds were set to mature on December 31, 2031. The annual principal and interest requirements of the general obligation judgment bonds were payable from resources in the permanent improvement fund. During the year, the District retired this debt with existing resources.

Principal and interest requirements to retire the long-term debt outstanding at June 30, 2017 are as follows:

	<u>Governmental Activities</u>	
	<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,100,000	\$ 605,718
2019	1,135,000	572,193
2020	1,165,000	531,868
2021	1,210,000	484,368
2022	1,260,000	441,268
2023-2027	6,900,000	1,599,057
2028-2031	<u>6,335,000</u>	<u>434,671</u>
Total	\$ <u>19,105,000</u>	\$ <u>4,669,143</u>

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 16: Lease Obligations

The District entered into capital leases for copier equipment. These leases met the criteria of a capital lease in accordance with the “Leases” topic of FASB ASC. Principal payments for all capital leases during fiscal year 2017 totaled \$77,491. The payments were made from the general fund. The lease payments were paid with current, available resources that had accumulated in the fund. These amounts represent the present value of the minimum lease payments at the inception of the lease:

	<u>Governmental Activities</u>
Assets:	
Furniture and equipment	\$ 336,998
Less: accumulated depreciation	<u>(303,298)</u>
Total	<u>\$ 33,700</u>

Amortization of capital leases is included in depreciation expense.

Rental expense related to operating leases for equipment totaled \$1,677 for the year ended June 30, 2017.

Note 17: Jointly Governed Organizations, Related Organization and Public Entity Risk Pool

A. Jointly Governed Organizations

Lake Erie Regional Council

The Lake Erie Regional Council (LERC) is a jointly governed organization among eleven school districts. LERC was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern. Each member provides operating resources to LERC on a per pupil or actual usage charge (except for insurance). The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information is available from the Treasurer of the Educational Service Center of Lorain County, located at 1885 Lake Avenue, Elyria, Ohio 44035. During fiscal year 2017, the District paid \$3,390,290 (including insurance premiums) to LERC.

Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District (JVS) is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of its students. The Board of the JVS is comprised of representatives from each participating district, and is responsible for approving its own budgets, appointing personnel, and accounting and financing-related activities. The District’s students may attend the JVS on a tuition-free basis. Each district’s control is limited to its representation on the board. Financial information is available from the Treasurer of the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 17: Jointly Governed Organizations, Related Organization and Public Entity Risk Pool (continued)

A. Jointly Governed Organizations (continued)

Connect

The North Coast Council became known as Connect effective April 1, 2016. The new governing Board of Directors, the Educational Service Centers (ESC) of Cuyahoga, Lorain and Medina County and the Ohio Schools Council, accepted the ownership, responsibility and liability of Connect in order to provide exemplary service to member districts. Each of the governments of these districts supports Connect based upon a per pupil charge, dependent upon the software package utilized. The superintendent/executive director of the three ESCs and Ohio Schools Council serve on Connect's Board of Directors. The purpose of Connect is applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Fiscal information for Connect is available from the Treasurer of the Educational Service Center of Cuyahoga County (fiscal agent), located at 6393 Oak Tree Boulevard, Independence, Ohio 44131. During the year ended June 30, 2017, the District paid \$258,709 to Connect for basic service charges.

Ohio Schools' Council

The Ohio Schools' Council (the "Council") is a jointly governed organization among 210 school districts, educational service centers, joint vocational districts and Developmental Disabilities boards. The jointly governed organization was created for the purpose of saving money through volume purchases. Each member supports the Council by paying an annual participation fee. Each member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the "Council Board"). The Council Board is the policy making authority of the Council. The Council Board meets monthly September to June. The Council Board appoints the Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Council Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2017, the District paid \$87,707 to the Council. Financial information can be obtained by contacting Kathryn Powers, the Executive Director of the Ohio Schools' Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The District participates in the Council's prepaid natural gas program. This program allows school districts to purchase natural gas at reduced rates. Constellation New Energy (Formerly Compass) had been selected as the natural gas supplier and program manager for the period March 31, 2016 through June 30, 2018. There are currently 157 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 17: Jointly Governed Organizations, Related Organization and Public Entity Risk Pool (continued)

B. Related Organization

The Grafton-Midview Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Midview Local School District Board of Education. The Board possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and issues tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Effective for the 2017 second half real estate and mobile home settlements, the Lorain County Auditor will disburse the tax settlements directly to the Grafton-Midview Public Library and no longer through Midview Local School District (the taxing authority) and thus, tax settlement distributions, related to the Grafton-Midview Public Library have been excluded from the corresponding financial statements. Financial information can be obtained by contacting the Fiscal Officer at the Grafton-Midview Public Library at 983 Main Street, Grafton, Ohio, 44044.

C. Public Entity Risk Pool

The District participates in the Better Business Bureau Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by Sheakley Uniservice Inc. Sheakley Uniservice Inc. serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 18: Contingencies

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

B. Litigation

The District is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 18: Contingencies (continued)

C. Foundation Funding

The District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

Note 19: Fund Deficits

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Funds</u>		<u>Deficit Fund Balance</u>
Nonmajor special revenue funds:		
Title VI-B special education IDEA	\$	124,988
Title I		104,697
Preschool grant for the handicapped		6,717
Classroom reduction		16,594
Nonmajor enterprise funds:		
Food service		421,307

The fund deficits in all funds are due to timing differences in accruing revenues and expenditures. The general fund is liable for any deficit in the funds and provides transfers when cash is required, not when accruals occur.

Note 20: Set-Aside Calculations

The 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Midview Local School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2017

Note 20: Set-Aside Calculations (continued)

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

	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2016	\$ 1,159,576
Current Year Set-Aside Requirements	538,822
Qualifying Disbursements	<u>(1,275,083)</u>
Set-Aside Reserve Balance as of June 30, 2017	\$ <u>423,315</u>

The total reserve balance for the set asides at the end of the fiscal year was \$423,315.

Note 21: Other Significant Commitments

Other significant commitments include the encumbrances outstanding for the general fund, permanent improvement fund and other governmental funds other than capital projects were as follows:

	<u>Encumbrances</u>
General fund	\$ 410,902
Permanent improvement fund	765,306
Other governmental funds	<u>471,306</u>
Total other significant commitments	\$ <u>1,647,514</u>

Note 22: Tax Abatements

Under an agreement entered into by the Village of Grafton, property tax revenues were reduced by \$6,082.

Note 23: Subsequent Event

The District signed a lease agreement with ComDoc, Inc., in the amount of \$666,925. The lease term begins July 2017 and expires in July 2022. This lease is for various office equipment throughout the District.

Required Supplementary Information

Midview Local School District

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio

Last Four Fiscal Years

	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
School district's proportion of the net pension liability	0.130258%	0.130149%	0.132537%	0.132537%
School district's proportionate share of the net pension liability	\$ 9,533,713	\$ 7,426,400	\$ 6,707,622	\$ 7,881,550
School district's covered payroll	\$ 4,046,057	\$ 3,878,793	\$ 3,847,878	\$ 3,923,996
School district's proportionate share of the net pension liability as a percentage of its covered payroll	235.63%	191.46%	174.32%	200.86%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30.

Midview Local School District

Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio

Last Four Fiscal Years

	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
School district's proportion of the net pension liability	0.120076%	0.116702%	0.120189%	0.120189%
School district's proportionate share of the net pension liability	\$ 40,193,036	\$ 32,252,993	\$ 29,234,178	\$ 34,823,561
School district's covered payroll	\$ 12,760,771	\$ 12,099,264	\$ 12,572,854	\$ 12,609,285
School district's proportionate share of the net pension liability as a percentage of its covered payroll	314.97%	266.57%	232.52%	276.17%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available. Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30.

Midview Local School District

Required Supplementary Information
 Schedule of the School District Contributions
 School Employees Retirement System of Ohio

For the Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 584,003	\$ 566,448	\$ 511,225	\$ 533,316	\$ 543,081
Contributions in relation to the contractually required contribution	<u>(584,003)</u>	<u>(566,448)</u>	<u>(511,225)</u>	<u>(533,316)</u>	<u>(543,081)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered payroll	\$ 4,171,450	\$ 4,046,057	\$ 3,878,793	\$ 3,847,879	\$ 3,923,996
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%	13.84%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 522,491	\$ 478,626	\$ 509,505	\$ 383,539	\$ 388,632
Contributions in relation to the contractually required contribution	<u>(522,491)</u>	<u>(478,626)</u>	<u>(509,505)</u>	<u>(383,539)</u>	<u>(388,632)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered payroll	\$ 3,884,688	\$ 3,807,685	\$ 3,762,962	\$ 3,897,754	\$ 3,957,556
Contributions as a percentage of covered payroll	13.45%	12.57%	13.54%	9.84%	9.82%

Midview Local School District

Required Supplementary Information
 Schedule of the School District Contributions
 State Teachers Retirement System of Ohio

For the Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,894,033	\$ 1,786,508	\$ 1,693,897	\$ 1,634,471	\$ 1,639,207
Contributions in relation to the contractually required contribution	<u>(1,894,033)</u>	<u>(1,786,508)</u>	<u>(1,693,897)</u>	<u>(1,693,471)</u>	<u>(1,639,207)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered payroll	\$ 13,528,807	\$ 12,760,771	\$ 12,099,264	\$ 12,572,854	\$ 12,609,285
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%	13.00%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 1,659,905	\$ 1,611,310	\$ 1,568,506	\$ 1,548,979	\$ 1,400,929
Contributions in relation to the contractually required contribution	<u>(1,659,905)</u>	<u>(1,611,310)</u>	<u>(1,568,506)</u>	<u>(1,548,979)</u>	<u>(1,400,929)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered payroll	\$ 12,768,500	\$ 12,394,692	\$ 12,065,431	\$ 11,915,221	\$ 10,776,379
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%	13.00%

Midview Local School District

Note to Required Supplementary Information

For the Fiscal Year Ended June 30, 2017

Note 1: Change in Assumptions

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

In April 2016, SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.50 percent.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increase, including inflation	3.50 to 18.20 percent	4.00 to 22.00 percent
Investment Rate of Return, net of investment expense, including inflation	7.50 percent	7.75 percent
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For the current valuation, mortality rates are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

For the prior valuation, mortality rates were based on 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 for the five year period ended June 30, 2015. The prior experience study was completed for the five year period ended June 30, 2010.

SUPPLEMENTARY INFORMATION

**MIDVIEW LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
(C) (D) School Breakfast Program	10.553	2017	\$ 153,627
(C) (D) National School Lunch Program	10.555	2017	408,741
(D) (E) National School Lunch Program - Donations	10.555	2017	68,451
Total National School Lunch Program			477,192
Total U.S. Department of Agriculture and Child Nutrition Cluster			630,819
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2016	67,226
Title I Grants to Local Educational Agencies	84.010	2017	343,238
Total Title I Grants to Local Educational Agencies			410,464
Special Education Cluster:			
(F) Special Education_Grants to States	84.027	2016	59,306
(F) Special Education_Grants to States	84.027	2017	439,004
Total Special Education Grants to States			498,310
(F) Special Education_Preschool Grants	84.173	2017	8,452
Total Special Education Cluster			506,762
Improving Teacher Quality State Grants	84.367	2016	10,102
Improving Teacher Quality State Grants	84.367	2017	56,337
Total Improving Teacher Quality State Grants			66,439
Total U.S. Department of Education			983,665
Total Federal Financial Assistance			\$ 1,614,484

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2017
- (B) This schedule includes the federal award activity of the Midview Local School District under programs of the federal government for the fiscal year ended June 30, 2017 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Midview Local School District, it is not intended to and does not present the financial position or changes in net position, of the Midview Local School District.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Special Education Cluster" in determining major programs.
- (G) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Midview Local School District
Lorain County
13050 Durkee Road
Grafton, Ohio 44044

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Midview Local School District's basic financial statements and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Midview Local 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 Midview Local 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 Midview Local 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.

Board of Education
Midview Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Midview Local 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 Midview Local 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 Midview Local School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 8, 2017



Julian & Grube, Inc.

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Midview Local School District
Lorain County
13050 Durkee Road
Grafton, Ohio 44044

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Midview Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Midview Local School District's major federal program for the fiscal year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Midview Local School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Midview Local School District's compliance for the Midview Local 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Midview Local 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 Midview Local School District's major program. However, our audit does not provide a legal determination of the Midview Local School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Midview Local 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 fiscal year ended June 30, 2017.

Board of Education
Midview Local School District

Report on Internal Control Over Compliance

The Midview Local 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 Midview Local 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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Midview Local 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 8, 2017

**MIDVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
UNIFORM GUIDANCE 2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

MIDVIEW LOCAL SCHOOL DISTRICT

LORAIN 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 15, 2018**