



MINFORD LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2017

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Board of Education
Minford Local School District
PO Box 204
Minford, Ohio 45653

We have reviewed the *Independent Auditor's Report* of the Minford Local School District, Scioto County, prepared by J.L. Uhrig and Associates, 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 Minford Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 9, 2018

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Independent Auditor's Report

Board of Education
Minford Local School District
PO Box 204
Minford, Ohio 45653

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minford Local School District (District), Scioto County as of and for the year ended June 30, 2017, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 4-9 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 inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 assurance.

Supplementary and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

December 15, 2017

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

As management of the Minford Local School District (the School District), we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2017 are as follows:

- Net position of governmental activities decreased \$1,138,805.
- General revenues accounted for \$12,936,144 or 73 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$4,756,174 or 27 percent of total revenues of \$17,692,318.
- The School District had \$18,831,123 in expenses related to governmental activities; only \$4,756,174 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.
- All governmental funds had total revenues and other financing sources of \$17,803,654 and expenditures and other financing uses of \$17,247,935.

Using This Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Fund.

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

Fiduciary Funds – Fiduciary 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. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for the fiscal years ending June 30, 2017 and 2016:

(Table 1)
 Net Position
 Governmental Activities

	2017	2016
Assets		
Current and Other Assets	\$5,532,808	\$5,281,419
Capital Assets, Net	<u>22,464,927</u>	<u>23,139,517</u>
Total Assets	27,997,735	28,420,936
Deferred Outflows	5,118,043	2,045,239
Liabilities		
Current and Other Liabilities	1,287,354	1,250,756
Long-Term Liabilities	<u>25,970,454</u>	<u>20,972,863</u>
Total Liabilities	27,257,808	22,223,619
Deferred Inflows	2,027,749	3,273,530

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

(Table 1)
 Net Position
 Governmental Activities
 (continued)

	2017	2016
Net Position		
Net Investment in Capital Assets	\$21,492,302	\$22,072,798
Restricted	907,238	1,055,127
Unrestricted (Deficit)	(18,569,319)	(18,158,899)
Total Net Position	\$3,830,221	\$4,969,026

Total net position of the School District as a whole decreased in the amount of \$1,138,805. Current and other assets increased between years, due primarily to an increase in cash and cash equivalents. Capital assets, net decreased between years, due to depreciation expense and disposals in excess of additions. Deferred outflows increased between years, due to an increase in amounts related to the change in the School District's proportionate share of the state-wide net pension liability. Current and other liabilities remained relatively consistent between years. Long-term liabilities increased between years, due primarily to an increase in the net pension liability estimate which was partially offset by principal retirements. Deferred inflows decreased between years, due to a decrease in amounts related to the change in the School District's proportionate share of the state-wide net pension liability.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net position. This table uses the full accrual method of accounting.

(Table 2)
 Change in Net Position
 Governmental Activities

	2017	2016
Revenues		
Program Revenues		
Charges for Services and Sales	\$2,299,114	\$2,478,635
Operating Grants, Contributions, and Interest	2,457,060	2,374,743
Total Program Revenues	4,756,174	4,853,378
General Revenues		
Property Taxes	2,079,328	1,993,368
Grants and Entitlements not Restricted to Specific Programs	10,636,965	10,076,291
Gifts and Donations not Restricted to Specific Programs	4,000	4,500
Investment Earnings	3,679	2,446
Miscellaneous	212,172	168,663
Total General Revenues	12,936,144	12,245,268
Total Revenues	17,692,318	17,098,646

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

(Table 2)
Change in Net Position
Governmental Activities
(continued)

	2017	2016
Program Expenses		
Instruction		
Regular	\$9,968,351	\$8,665,813
Special	2,416,532	2,206,600
Vocational	110,191	113,793
Support Services		
Pupils	551,629	472,593
Instructional Staff	526,324	461,100
Board of Education	49,747	42,666
Administration	1,342,730	1,317,573
Fiscal	266,170	275,336
Business	995	1,990
Operation and Maintenance of Plant	1,444,744	1,349,000
Pupil Transportation	1,064,027	973,857
Central	28,466	34,292
Operation of Non-Instructional Services	525,976	527,868
Extracurricular Activities	494,191	492,553
Interest and Fiscal Charges	41,050	55,523
Total Expenses	<u>18,831,123</u>	<u>16,990,557</u>
Change in Net Position	(1,138,805)	108,089
Net Position at Beginning of Year	<u>4,969,026</u>	<u>4,860,937</u>
Net Position at Ending of Year	<u>\$3,830,221</u>	<u>\$4,969,026</u>

Unrestricted grants and entitlements comprised 60 percent of revenue for governmental activities during 2017 and represent the largest source of revenue. Charges for services and sales, operating grants and contributions, and property taxes comprised 13 percent, 14 percent, and 12 percent of revenue, respectively.

Charges for services and sales decreased due to a decrease in extracurricular activities and tuition and fees revenues. Unrestricted grants and entitlements increased due to an increase in foundation funding.

As indicated by governmental program expenses, instruction is emphasized. Regular and special instruction comprised 53 percent and 13 percent, respectively, of governmental program expenses. Administration, operation and maintenance of plant, and pupil transportation support services also represent significant allocations of governmental expenses, comprising 7 percent, 8 percent, and 6 percent, respectively.

Instruction expenses increased between years due to increases in personnel costs and pension expense related to the School District's share of the state-wide net pension liability. Pupils and instructional staff support services also increased between years due to increases in personnel costs.

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

(Table 3)
 Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
<i>Program Expense</i>				
<i>Instruction:</i>				
Regular	\$9,968,351	\$8,394,674	\$8,665,813	\$7,066,998
Special	2,416,532	640,701	2,206,600	445,989
Vocational	110,191	78,908	113,793	78,905
<i>Support Services:</i>				
Pupils	551,629	485,543	472,593	405,133
Instructional Staff	526,324	458,914	461,100	391,124
Board of Education	49,747	43,787	42,666	36,576
Administration	1,342,730	1,105,572	1,317,573	1,069,421
Fiscal	266,170	234,542	275,336	236,441
Business	995	995	1,990	1,990
Operation and Maintenance of Plant	1,444,744	1,278,451	1,349,000	1,163,356
Pupil Transportation	1,064,027	945,091	973,857	845,345
Central	28,466	25,289	34,292	29,675
Operation of Non-Instructional Services	525,976	49,296	527,868	68,380
Extracurricular Activities	494,191	292,136	492,553	242,323
Interest and Fiscal Charges	41,050	41,050	55,523	55,523
Total Expenses	\$18,831,123	\$14,074,949	\$16,990,557	\$12,137,179

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District has two major funds: the General Fund and the Bond Retirement Fund. The General Fund had total revenues of \$15,969,088 and expenditures of \$15,290,583. Revenues increased due mainly to an increase in intergovernmental receipts from the state foundation. Expenditures increased due mainly to an increase in expenditures for instruction for personnel costs. The General Fund balance increased \$641,886. The Bond Retirement Fund had total revenues of \$54,807 and expenditures of \$160,547. The Bond Retirement Fund balance decreased \$105,740.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2017, the School District amended its General Fund budget.

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

For the general fund, final budget basis revenues and other financing sources were \$15,808,921, above original estimates of \$15,571,132. Final budget basis revenue estimates were increased for intergovernmental and transfers in. Final budget basis expenditures and other financing uses were \$15,608,120, above original estimates of \$15,105,116. Increases for final budget basis expenditures were due primarily for regular and special instruction and transfers out.

The School District's ending unobligated cash balance was \$1,318,926.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$22,464,927 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. For additional information on capital assets, see note 8 of to the basic financial statements. Table 4 shows fiscal year 2017 balances compared to 2016:

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

	2017	2016
Land and Land Improvements	\$770,154	\$742,890
Buildings and Improvements	20,662,048	21,422,776
Furniture and Equipment	606,256	653,407
Vehicles	426,469	320,444
Totals	\$22,464,927	\$23,139,517

Net capital assets decreased \$674,590 from the prior fiscal year. This was due to depreciation expense and disposals exceeding capital assets additions.

Debt

At June 30, 2017, the School District had \$364,100 of school energy conservation improvement bonds and \$590,000 of advance refunding bonds outstanding. The refunding bonds were used to pay off most of the school facilities construction and improvement bonds that were issued in fiscal year 1999. For additional information on debt, refer to note 12 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ashley Roberts, Treasurer at Minford Local School District, PO Box 204, Minford, Ohio 45653.

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Minford Local School District
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,064,283
Cash and Cash Equivalents in Segregated Accounts	139
Intergovernmental Receivable	53,517
Property Taxes Receivable	2,414,869
Nondepreciable Capital Assets	674,603
Depreciable Capital Assets, Net	21,790,324
<i>Total Assets</i>	27,997,735
Deferred Outflows of Resources	
Deferred Charge on Refunding	10,373
Pension	5,107,670
<i>Total Deferred Outflows of Resources</i>	5,118,043
Liabilities	
Accounts Payable	92,135
Accrued Wages and Benefits	956,739
Intergovernmental Payable	227,500
Accrued Interest Payable	2,535
Matured Compensated Absences Payable	8,445
Long-Term Liabilities:	
Due Within One Year	207,343
Due in More Than One Year	1,945,297
Net Pension Liability	23,817,814
<i>Total Liabilities</i>	27,257,808
Deferred Inflows of Resources	
Property Taxes Not Levied to Finance Current Year Operations	1,821,573
Pension	206,176
<i>Total Deferred Inflows of Resources</i>	2,027,749
Net Position	
Net Investment in Capital Assets	21,492,302
Restricted for Debt Service	584,145
Restricted for Classroom Facilities Maintenance	249,895
Restricted for Other Purposes	73,198
Unrestricted (Deficit)	(18,569,319)
<i>Total Net Position</i>	\$3,830,221

See the accompanying notes to the basic financial statements.

Minford Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	
Governmental Activities				
Instruction				
Regular	\$9,968,351	\$1,042,735	\$530,942	(\$8,394,674)
Special	2,416,532	243,569	1,532,262	(640,701)
Vocational	110,191	13,138	18,145	(78,908)
Support Services				
Pupils	551,629	66,086	0	(485,543)
Instructional Staff	526,324	62,010	5,400	(458,914)
Board of Education	49,747	5,960	0	(43,787)
Administration	1,342,730	179,897	57,261	(1,105,572)
Fiscal	266,170	31,628	0	(234,542)
Business	995	0	0	(995)
Operation and Maintenance of Plant	1,444,744	166,293	0	(1,278,451)
Pupil Transportation	1,064,027	118,936	0	(945,091)
Central	28,466	3,177	0	(25,289)
Operation of Non-Instructional Services	525,976	164,588	312,092	(49,296)
Extracurricular Activities	494,191	201,097	958	(292,136)
Interest and Fiscal Charges	41,050	0	0	(41,050)
Total Governmental Activities	\$18,831,123	\$2,299,114	\$2,457,060	(14,074,949)
General Revenues				
Property Taxes Levied for				
General Purposes				2,009,678
Classroom Facilities Maintenance				31,351
Debt Service				38,299
Grants and Entitlements not Restricted to Specific Programs				10,636,965
Gifts and Donations not Restricted to Specific Programs				4,000
Investment Earnings				3,679
Miscellaneous				212,172
Total General Revenues				12,936,144
Change in Net Position				(1,138,805)
Net Position Beginning of Year				4,969,026
Net Position End of Year				\$3,830,221

See the accompanying notes to the basic financial statements.

Minford Local School District
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,140,322	\$574,324	\$349,637	\$3,064,283
Cash and Cash Equivalents in Segregated Accounts	0	0	139	139
Interfund Receivable	2,950	0	0	2,950
Intergovernmental Receivable	9,848	0	43,669	53,517
Property Taxes Receivable	2,301,383	76,579	36,907	2,414,869
<i>Total Assets</i>	<u>\$4,454,503</u>	<u>\$650,903</u>	<u>\$430,352</u>	<u>\$5,535,758</u>
Liabilities				
Accounts Payable	\$90,311	\$0	\$1,824	\$92,135
Accrued Wages and Benefits	860,913	0	95,826	956,739
Interfund Payable	0	0	2,950	2,950
Intergovernmental Payable	204,623	0	22,877	227,500
Matured Compensated Absences Payable	8,445	0	0	8,445
<i>Total Liabilities</i>	<u>1,164,292</u>	<u>0</u>	<u>123,477</u>	<u>1,287,769</u>
Deferred Inflows of Resources				
Property Taxes not Levied to Finance Current Year Operations	1,726,837	66,758	27,978	1,821,573
Unavailable Revenue:				
Property Taxes	453,948	7,723	7,107	468,778
Grants	675	0	43,669	44,344
Total Unavailable Revenue	<u>454,623</u>	<u>7,723</u>	<u>50,776</u>	<u>513,122</u>
<i>Total Deferred Inflows of Resources</i>	<u>2,181,460</u>	<u>74,481</u>	<u>78,754</u>	<u>2,334,695</u>
Fund Balances				
Restricted	0	576,422	310,086	886,508
Committed	461,430	0	0	461,430
Assigned	326,797	0	0	326,797
Unassigned (Deficit)	320,524	0	(81,965)	238,559
<i>Total Fund Balances</i>	<u>1,108,751</u>	<u>576,422</u>	<u>228,121</u>	<u>1,913,294</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,454,503</u>	<u>\$650,903</u>	<u>\$430,352</u>	<u>\$5,535,758</u>

See the accompanying notes to the basic financial statements.

Minford Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017*

Total Governmental Fund Balances		\$1,913,294
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,464,927
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Some of the School District's revenues will be collected after fiscal year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Property taxes	468,778	
Intergovernmental	44,344	513,122

The net pension liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred outflows-pension	5,107,670	
Deferred inflows-pension	(206,176)	
Net pension liability	(23,817,814)	(18,916,320)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, as interest expenditure is reported when due.		(2,535)
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	(1,180,015)	
General obligation bonds	(364,100)	
Advance refunding bonds	(590,000)	
Premium on advance refunding bonds	(18,525)	
Unamortized deferred amount on refunding	10,373	(2,142,267)

Net Position of Governmental Activities		<u><u>\$3,830,221</u></u>
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See the accompanying notes to the basic financial statements.

Minford Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,965,683	\$45,472	\$30,914	\$2,042,069
Intergovernmental	11,778,872	9,335	1,416,344	13,204,551
Interest	5,673	0	0	5,673
Decrease in Fair Value of Investments	(1,994)	0	0	(1,994)
Tuition and Fees	1,924,117	0	0	1,924,117
Extracurricular Activities	79,565	0	130,907	210,472
Gifts and Donations	5,000	0	430	5,430
Customer Sales and Services	0	0	164,525	164,525
Miscellaneous	212,172	0	0	212,172
<i>Total Revenues</i>	15,969,088	54,807	1,743,120	17,767,015
Expenditures				
Current				
Instruction				
Regular	7,909,817	0	554,320	8,464,137
Special	1,949,478	0	383,216	2,332,694
Vocational	98,253	0	0	98,253
Support Services				
Pupils	506,901	0	0	506,901
Instructional Staff	485,090	0	6,000	491,090
Board of Education	49,747	0	0	49,747
Administration	1,162,024	0	56,705	1,218,729
Fiscal	251,911	1,332	829	254,072
Business	0	0	995	995
Operation and Maintenance of Plant	1,291,929	0	49,428	1,341,357
Pupil Transportation	944,353	0	0	944,353
Central	26,516	0	0	26,516
Operation of Non-Instructional Services	527	0	517,075	517,602
Extracurricular Activities	335,308	0	152,248	487,556
Capital Outlay	225,827	0	39,350	265,177
Debt Service				
Principal Retirement	38,800	140,000	0	178,800
Interest and Fiscal Charges	14,102	19,215	0	33,317
<i>Total Expenditures</i>	15,290,583	160,547	1,760,166	17,211,296
<i>Excess of Revenues Over (Under) Expenditures</i>	678,505	(105,740)	(17,046)	555,719
Other Financing Sources (Uses)				
Transfers In	0	0	36,639	36,639
Transfers Out	(36,639)	0	0	(36,639)
<i>Total Other Financing Sources (Uses)</i>	(36,639)	0	36,639	0
<i>Net Change in Fund Balances</i>	641,866	(105,740)	19,593	555,719
<i>Fund Balances Beginning of Year</i>	466,885	682,162	208,528	1,357,575
<i>Fund Balances End of Year</i>	\$1,108,751	\$576,422	\$228,121	\$1,913,294

See the accompanying notes to the basic financial statements.

Minford 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 \$555,719

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	265,177	
Depreciation expense	<u>(781,970)</u>	(516,793)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount by which the loss on the sale of capital assets exceeded the proceeds from the sale of those assets. (157,797)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	37,259	
Intergovernmental	<u>(111,956)</u>	(74,697)

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows. 1,158,114

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,190,268)

Governmental funds report premiums as expenditures, whereas these amounts are deferred and amortized in the statement of net position.

Amortization of premium	5,294	
Amortization of loss on refunding	(2,965)	
Annual accretion of capital appreciation bonds	<u>(10,170)</u>	(7,841)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current fiscal year, these amounts consist of:

Bond principal retirement		178,800
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Some items 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. These activities consist of:

Decrease in accrued interest	108	
Increase in compensated absences	<u>(84,150)</u>	(84,042)

Change in Net Position of Governmental Activities (\$1,138,805)

See the accompanying notes to the basic financial statements.

Minford Local School District
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Total Revenues and Other Sources	\$15,571,132	\$15,808,921	\$15,808,921	\$0
Total Expenditures and Other Uses	15,105,116	15,608,120	15,608,120	0
<i>Net Change in Fund Balance</i>	466,016	200,801	200,801	0
<i>Fund Balances Beginning of Year-Restated</i>	943,973	943,973	943,973	0
<i>Prior Year Encumbrances Appropriated</i>	174,152	174,152	174,152	0
<i>Fund Balances End of Year</i>	\$1,584,141	\$1,318,926	\$1,318,926	\$0

See the accompanying notes to the basic financial statements.

Minford Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	<u>\$29,361</u>
Liabilities	
Undistributed Monies	<u>\$29,361</u>

See the accompanying notes to the basic financial statements.

Minford 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

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

The School District was established in 1924 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 98 square miles. It is located in Scioto County, and includes the Village of Minford and the Townships of Madison and Harrison. It is staffed by 49 non-certificated employees, 93 certificated full-time teaching personnel, and 8 administrative employees who provide services to 1,468 students and other community members. The School District currently operates 2 instructional buildings.

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 are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Minford Local School District, this includes general operations, food service, and student related activities of the School District.

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

The following organizations which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these organizations nor are they fiscally dependent on the School District:

- Booster Clubs
- Parent-Teacher Organizations

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association Council of Governments, the Scioto County Career Technical Center, the Coalition of Rural and Appalachian Schools, the Southern Ohio Academy, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Optimal Health Initiatives Consortium. These organizations are presented in Notes 13, 14, and 15 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Minford Local School 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 most significant of the School District's accounting policies are described below.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of 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. Fiduciary funds are reported by fund type.

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

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

General Fund – The General Fund is the general operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Bond Retirement Fund – The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general short-term and long-term debt principal and interest. The main source of revenue for the Bond Retirement Fund is money received from tax revenue.

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

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. The School District's only fiduciary funds are agency funds which are used to maintain financial activity of the School District's student activities and to account for state tournament activity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities and certain deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements

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

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. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the presentation of expenses versus expenditures, the recording of deferred inflows/outflows of resources related to delinquent taxes, grants, and the recording of net pension liabilities.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School 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. (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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 year-end: property taxes available as an advance, tuition, grants, and fees.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District reports a deferred outflow of resources for pensions and the unamortized portion of the net loss on the refunding bonds as of June 30, 2017. The deferred outflows of resources related to pensions are explained in Note 9. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and intergovernmental receivables which are not collected in the available period and pensions. The difference between deferred inflows on the statement of net position and the balance sheet is partially due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the statement of activities and not recorded as deferred inflows on the statement of net position. Deferred inflows of resources related to pensions are reported on the statement of net position. (See Note 9)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made when the first permanent appropriation was adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2017.

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

Cash and Cash Equivalents

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

During fiscal year 2017, the School District invested in money market funds and certificates of deposit. Investments are reported at fair value which is based on quoted market prices. The School District's money market funds are recorded at amounts reported by the financial institution at June 30, 2017.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2017 amounted to \$5,673 to the General Fund. The School District also experienced a \$1,994 decrease in fair value on investments, which was also credited to the General Fund.

For presentation on the basic 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 School District are considered to be cash equivalents.

Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets 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.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School District does not capitalize interest for capital asset purchases.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-25 years
Buildings and Improvements	20-25 years
Furniture and Equipment	10-15 years
Vehicles	10-15 years
Textbooks	5-10 years

Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future.

The accrual amount is based upon accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the School District's severance policy.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, net pension liability, and special termination benefits 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 in the current year. Bonds and capital leases are recognized as a liability on the government-wide financial statements when due.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” 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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

The School District applies restricted resources first when 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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Net Position

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

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

Of the School District's restricted net position, none is restricted by enabling legislation.

Interfund Transactions

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

Interfund Balances

On the 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 activities column of the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows/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.

Note 3 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures and changes in fund balance-budget and actual (non-GAAP basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis); and
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

	Net Change in Fund Balance
GAAP Basis	\$641,866
Revenue Accruals	34,824
Expenditure Accruals	9,191
Encumbrances	(362,648)
(Excess) Deficit of Funds Combined with General Fund for Reporting Purposes	(122,432)
Budget Basis	\$200,801

Note 4 – Deposits and Investments

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the 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, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the Federal Deposit Insurance Corporation to which both the obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

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

Investments may only be made through specified dealers and institutions. Payment 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 a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2017, the School District's bank balance of \$2,678,985 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments

As of June 30, 2017, the School District had the following investments, which are in an internal investment pool:

	Fair Value	Credit Rating	Maturity	Percent of Total Investments
Federated Government Obligations Fund	\$124	AAAm	< 1 year	0%
Negotiable CDs	299,676	N/A	< 1 year	60%
Negotiable CDs	200,218	N/A	1-2 years	40%
Total	<u>\$500,018</u>			<u>100.00%</u>

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The School 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 above table identifies the District's recurring fair value measurements as of June 30, 2017. All investments of the School District are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond the requirements of state statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The School District has no investment policy that addresses credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District has no investment policy dealing with investment custodial credit risk beyond the requirements in state statute that prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. However, the School District does diversify for protection of assets in a responsible manner.

Note 5 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 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 thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

	2016 Second-Half Collections		2017 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$98,654,400	92.47%	\$104,521,840	92.81%
Public Utility	8,035,600	7.53%	8,096,670	7.19%
Total Assessed Value	\$106,690,000	100.00%	\$112,618,510	100.00%
Tax rate per \$1,000 of assessed value	\$26.46		\$26.06	

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that 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 amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2017 was \$120,598 in the General Fund, \$1,822 in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund, and \$2,098 in the Bond Retirement Fund.

Note 6 – Receivables

Receivables at June 30, 2017 consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<i>Major Fund</i>	
General	\$9,848
 <i>Nonmajor Funds</i>	
Title I	23,856
Title II-A	2,180
Rural Education	5,900
Early Childhood Education	11,733
Total Nonmajor Funds	43,669
Total	\$53,517

Note 7 – Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with Argonaut Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage.

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Coverages provided by Government Underwriters of America are as follows:

Building and contents-replacement cost (\$2,500 deductible)	\$42,134,455
Inland marine coverage (\$500 deductible)	100,000
Automobile liability (\$500 deductible for collision, \$250 for all others)	1,000,000
Uninsured motorists	1,000,000
General liability:	
Per occurrence	1,000,000
Total per year	3,000,000
Excess liability umbrella, per occurrence and aggregate	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

The School District is a member of the Optimal Health Initiatives Consortium, a public entity shared risk pool (Note 15), consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

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Note 8 – Capital Assets

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

	Balance at 6/30/16	Additions	Deductions	Balance at 6/30/17
<i>Governmental Activities</i>				
Capital Assets Not Being Depreciated:				
Land	\$674,603	\$0	\$0	\$674,603
Capital Assets Being Depreciated:				
Land Improvements	1,116,939	43,002	0	1,159,941
Buildings and Improvements	31,020,984	0	(222,167)	30,798,817
Furniture and Equipment	2,550,087	44,905	(23,871)	2,571,121
Vehicles	1,487,357	177,270	0	1,664,627
Textbooks	976,247	0	0	976,247
Total Capital Assets Being Depreciated	37,151,614	265,177	(246,038)	37,170,753
Less Accumulated Depreciation				
Land Improvements	(1,048,652)	(15,738)	0	(1,064,390)
Buildings and Improvements	(9,598,208)	(615,865)	77,304	(10,136,769)
Furniture, Fixtures, and Equipment	(1,896,680)	(79,122)	10,937	(1,964,865)
Vehicles	(1,166,913)	(71,245)	0	(1,238,158)
Textbooks	(976,247)	0	0	(976,247)
Total Accumulated Depreciation	(14,686,700)	(781,970)	88,241	(15,380,429)
Total Capital Assets Being Depreciated, Net	22,464,914	(516,793)	(157,797)	21,790,324
Governmental Activities Capital Assets, Net	\$23,139,517	(\$516,793)	(\$157,797)	\$22,464,927

Depreciation was charged to the following governmental functions:

Instruction:	
Regular	\$683,797
Vocational	525
Support Services:	
Instructional Staff	2,714
Administration	1,433
Operation and Maintenance of Plant	7,237
Pupil Transportation	71,245
Central	1,950
Operation of Non-Instructional Services	6,434
Extracurricular Activities	6,635
Total Depreciation Expense	<u>\$781,970</u>

Note 9 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$251,304 for fiscal year 2017. Of this amount \$0 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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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 was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, July 1, 2015, and July 1, 2016 when it reached 14 percent. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$906,810 for fiscal year 2017. Of this amount, \$172,170 is reported as an intergovernmental payable.

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

The net pension liability reported as of June 30, 2017 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 School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,430,047	\$19,387,767	\$23,817,814
Proportion of the Net Pension Liability	0.0605274%	0.0579206%	
Pension Expense	\$468,096	\$1,722,172	\$2,190,268

At June 30, 2017, the School 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>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$59,752	\$783,359	\$843,111
Changes of assumptions	295,730	0	295,730
Net difference between projected and actual earnings on pension plan investments	365,414	1,609,707	1,975,121
Changes in proportion and differences	129,949	705,645	835,594
School District contributions subsequent to the measurement date	<u>251,304</u>	<u>906,810</u>	<u>1,158,114</u>
Total Deferred Outflows of Resources	<u>\$1,102,149</u>	<u>\$4,005,521</u>	<u>\$5,107,670</u>
<i>Deferred Inflows of Resources</i>			
Changes in proportion and differences	<u>\$52,366</u>	<u>\$153,810</u>	<u>\$206,176</u>
Total Deferred Inflows of Resources	<u>\$52,366</u>	<u>\$153,810</u>	<u>\$206,176</u>

\$1,158,114 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$221,964	\$502,770	\$724,734
2019	221,052	502,770	723,822
2020	245,032	1,146,725	1,391,757
2021	110,431	792,636	903,067
Total	\$798,479	\$2,944,901	\$3,743,380

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 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year set-back for both males and females. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed for the 5 year period ended June 30, 2015.

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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 average 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><u>100.00 %</u></u>	

Discount Rate – The total pension liability was calculated using the discount rate of 7.5 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 earnings were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
School District's proportionate share of the net pension liability	\$5,865,106	\$4,430,047	\$3,228,843

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 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 as of June 30, 2016.

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$25,764,767	\$19,387,767	\$14,008,392

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 cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District’s net pension liability is expected to be significant.

Note 10 – Postemployment Benefits

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers one postemployment benefit plan.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. 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 program 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 the statutory authority to fund SERS’ post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent, and 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amount assigned to health care, including the surcharge, during the 2017, 2016, and 2015 fiscal years equaled \$31,084, \$30,962, and \$48,523, respectively, which is equal to the required allocation for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS’ Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at www.ohsers.org under *Employer/Audit Resources*.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016, and 2015. The 14 percent employer contribution rate is the maximum rate established under Ohio Law. For the School District, these amounts equaled \$0 for fiscal years 2017, 2016, and 2015.

Note 11 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days.

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Metropolitan Educational Council.

Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 12 – Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/16	Additions	Deductions	Amount Outstanding 6/30/17	Amounts Due Within One Year
2010 School Energy Conservation Improvement Bonds	\$402,900	\$0	\$38,800	\$364,100	\$40,300
2010 School Facilities Construction and Improvement Refunding Bonds:					
Current Interest Bonds 2.0%-3.5% Premium	590,000	0	0	590,000	140,000
Capital Appreciation Bonds 3.5% Accretion on Capital Appreciation Bonds	23,819	0	5,294	18,525	0
	50,000	0	50,000	0	0
	79,830	10,170	90,000	0	0
Total Long-Term Bonds	1,146,549	10,170	184,094	972,625	180,300
Net Pension Liability	18,730,449	5,087,365	0	23,817,814	0
Compensated Absences	1,095,865	551,534	467,384	1,180,015	27,043
Total General Long-Term Obligations	\$20,972,863	\$5,649,069	\$651,478	\$25,970,454	\$207,343

School Energy Conservation Improvement Bonds – On July 1, 2010, Minford Local School District issued bonds in the amount of \$610,000 for the purpose of energy conservation measures. The bonds were issued with a 3.5 percent interest rate for a 15-year period with a final maturity during fiscal year 2025. The bonds are being retired from the bond retirement debt service fund.

Advance Refunding Bonds – On February 4, 2010, Minford Local School District issued School Improvement Refunding Bonds in the amount of \$940,000 for the purpose of advance refunding \$940,000 in school facilities construction and improvement bonds as noted above. The current interest bonds of \$890,000 were issued with a variable interest rate of 2 percent to 3.5 percent for a period of 11 years with a final maturity of 2021. The bonds are being retired from the bond retirement debt service fund.

The Capital Appreciation Bonds of \$50,000 were issued with a 3.5 percent interest rate and mature in fiscal year 2017 at the fully accreted amount of \$140,000. The bonds were retired from the bond retirement debt service fund with the final payment made in fiscal year 2017.

The School District placed \$972,610 in a refunding escrow agent account to advance refund bonds as noted above. The refunding escrow agent then paid off these advance refunded bonds on June 1, 2010. The net premium of \$58,230 has been recorded as an addition to the 2010 Bonds and is being amortized over the life of the bonds. The net loss on the refunding of the bonds in the amount of \$32,610 is being amortized over the life of the refunded bonds. The unamortized portion of the net loss is recorded as a deferred outflow of resources on the statement of net position. The refunding resulted in the School District restructuring its debt service payments with a positive cash flow difference of \$66,955 over the life of the bonds.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Minford Local School District has been notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$33,485,311 classroom facilities loan to the State because the School District’s adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District’s adjusted valuation per pupil increases above the statewide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State’s contribution.

Compensated absences will be paid from the fund from which the employees’ salaries are paid with the General Fund being the most significant fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$9,181,566 with an unvoted debt margin of \$112,619 at June 30, 2017.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30	2010 School Energy Conservation Improvement Bonds		2010 School Facilities Construction and Improvement Refunding Bonds – Current Interest	
	Principal	Interest	Principal	Interest
2018	\$40,300	\$12,744	\$140,000	\$17,115
2019	41,600	11,333	145,000	12,695
2020	43,100	9,877	150,000	7,900
2021	44,600	8,369	155,000	2,713
2022	46,100	6,808	0	0
2023-2025	148,400	10,507	0	0
Total	\$364,100	\$59,638	\$590,000	\$40,423

Note 13 – Jointly Governed Organizations

South Central Ohio Computer Association Council of Governments – The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG), which is organized under Ohio Revised Code Chapter 167 as a council of governments. SCOCA COG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county in the SCOCA COG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCA COG including budgeting, appropriating, contracting, and designating management. Each district’s degree of control is limited to its representation on the Board.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

During fiscal year 2016, SCOCA COG entered into a merger agreement with Metropolitan Educational Technology Association (META). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCA COG, and once these remaining liabilities are satisfied, SCOCA COG will be dissolved and the member districts will become members of META. SCOCA COG entered into a subcontract agreement with META to provide services to SCOCA COG, and on behalf of SCOCA COG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCA COG is currently governed by a four person executive governing board. The School District paid SCOCA COG \$113,748 for services provided during the fiscal year. The School District also paid META \$33,508 for internet services during the fiscal year.

Scioto County Career Technical Center – The Scioto County Career Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the City and County Boards within Scioto County, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Scioto County Career Technical Center, Brett Butler, who serves as Treasurer, at 951 Vern Riffe Drive, Lucasville, Ohio 45648.

Coalition of Rural and Appalachian Schools – The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$325 to the Coalition for services provided during the year.

Southern Ohio Academy – The School District is a participant in the Southern Ohio Academy, a jointly governed, nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a nine-member Board of Directors. The Board membership consists of superintendents from Bloom Vernon, Clay, Green, Manchester, Minford, Northwest, Oak Hill, Valley, Washington Nile, and Wheelersburg school districts. Because the Ohio Revised Code requires an odd number of members, the Board has determined that Board membership will rotate annually with one school district not being represented each year. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Andrew T. Riehl, fiscal agent for the Southern Ohio Academy, at the South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 14 – Insurance Purchasing Pool

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

Note 15 – Public Entity Shared Risk Pool

Optimal Health Initiatives Consortium – The School District is a member of the Optimal Health Initiatives Consortium (the Consortium), a public entity shared risk pool, consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium’s economics of scale to create cost-savings. The Consortium’s business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division’s board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242.

Note 16 – Set-Aside Calculations

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

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

	Capital Acquisitions
Set-Aside Balance as of June 30, 2016	\$0
Current Fiscal Year Set-Aside Requirement	250,834
Current Fiscal Year Offsets	(104,110)
Qualifying Disbursements	(212,517)
Totals	(\$65,793)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2017	\$0

The School District had offsets during the year that reduced the set-aside amount to zero in the Capital Acquisition Reserve. The carryover amount in the Capital Acquisition set-aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$3,191,105 at June 30, 2017.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 17 – Accountability

Fund Balance Deficits

At June 30, 2017, the Food Service, Public School Preschool, Title VI-B, Title I, and Title II-D funds had fund balance deficits of \$31,997, \$9,187, \$19,689, \$19,056, and \$2,036, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover the deficit balance; however, this is done when cash is needed rather than when accruals occur.

Note 18 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

Litigation

The School District is not party to legal proceedings.

Foundation

School District funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 foundation funding for the District. Therefore, the overall financial statement impact is not determinable at this time.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 19 – Interfund Activity

Interfund Balances

Interfund balances at June 30, 2017 consists of the following individual fund receivables and payables, which are expected to be repaid during the 2018 fiscal year:

	Receivables	Payables
<i>Major Fund:</i>		
General Fund	\$2,950	\$0
 <i>Nonmajor Fund:</i>		
Title II-D	0	2,950
Total	\$2,950	\$2,950

The amounts due to the General Fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The General Fund will be reimbursed when funds become available in the non-major special revenue funds.

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2017 were as follows:

	Transfers To	Transfers From
<i>Major Fund:</i>		
General Fund	\$0	\$36,639
 <i>Nonmajor Fund:</i>		
Food Service	36,639	0
Total	\$36,639	\$36,639

The transfers were made from the General Fund to other funds to provide support for operating activities of those funds.

Note 20 - Encumbrances

At June 30, 2017, the School District had encumbrance commitments in governmental funds as follows:

<i>Major Fund:</i>	
General	\$363,879
 <i>Nonmajor Funds:</i>	
Classroom Facilities Maintenance	17,071
Athletics	15,727
Title I	2,950
Title II-D	2,950
Total Nonmajor Funds	38,698
Total Encumbrances	\$402,577

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 21 – Fund Balances

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

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<i>Restricted for</i>				
Athletics	\$0	\$0	\$63,098	\$63,098
Classroom Facilities and Maintenance	0	0	242,788	242,788
Debt Service	0	576,422	0	576,422
Other Purposes	0	0	4,200	4,200
Total Restricted	0	576,422	310,086	886,508
<i>Committed for</i>				
Severance Benefits	385,831	0	0	385,831
Other Purposes	75,599	0	0	75,599
Total Committed	461,430	0	0	461,430
<i>Assigned to</i>				
Student and Staff Support	49,613	0	0	49,613
Other Purposes	277,184	0	0	277,184
Total Assigned	326,797	0	0	326,797
<i>Unassigned (Deficit)</i>	320,524	0	(81,965)	238,559
<i>Total Fund Balances</i>	\$1,108,751	\$576,422	\$228,121	\$1,913,294

Note 22 – Implementation of New Accounting Pronouncement

For the fiscal year ended June 30, 2017, the School District was required to implement Governmental Accounting Standards Board Statements No. 74, “Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans,” No. 77, “Tax Abatement Disclosures,” No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” No. 80, “Blending Requirements for Certain Component Units,” and No. 82, “Pension Issues.”

GASB Statement No. 74 replaces GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

GASB Statement No. 77 requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues.

GASB Statement No. 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 80 clarifies the display requirements in GASB Statement No. 14, "The Financial Reporting Entity," by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

GASB Statement No. 82 addresses, among other things, presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73.

None of these Statements had an impact on the School District's financial statements or note disclosures.

Note 23 – Subsequent Event

META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. Metropolitan Dayton Educational Cooperative Association (MDECA) and Southeastern Ohio Voluntary Education Cooperative (SEOVEC) also merged with META Solutions on January 4, 2016. META Solutions develops, implements, and supports the technology and instructional needs of schools and provides instructional, core, technology, and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The South Central Ohio Computer Association Council of Governments is in the process of merging with META Solutions; however as of the date of this financial report, the merger has not yet been fully completed.

Minford Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2014	2015	2016	2017
<i>State Teachers Retirement System</i>				
School District's proportion of the net pension liability	0.05474297%	0.05474297%	0.05502130%	0.05792060%
School District's proportionate share of the net pension liability	\$15,861,199	\$13,315,385	\$15,206,278	\$19,387,767
School District's covered-employee payroll	\$5,659,615	\$5,593,392	\$5,563,714	\$6,016,114
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	280.3%	238.1%	273.3%	322.3%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%
 <i>School Employees Retirement System</i>				
School District's proportion of the net pension liability	0.05926600%	0.05926600%	0.06176150%	0.06052740%
School District's proportionate share of the net pension liability	\$3,524,359	\$2,999,419	\$3,524,171	\$4,430,047
School District's covered-employee payroll	\$1,860,318	\$1,811,009	\$1,980,622	\$2,028,693
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.4%	165.6%	177.9%	218.4%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%

The amounts are presented as of the School District's measurement date, which is the prior fiscal year end.
(1) Information not available prior to 2014.

Minford Local School District
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>State Teachers Retirement System</i>										
Contractually required contribution	\$792,398	\$716,398	\$735,221	\$748,934	\$771,388	\$735,750	\$727,141	\$778,920	\$842,256	\$906,810
Contributions in relation to the contractually required contribution	792,398	716,398	735,221	748,934	771,388	735,750	727,141	778,920	842,256	906,810
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$6,095,369	\$5,510,754	\$5,655,546	\$5,761,031	\$5,933,754	\$5,659,615	\$5,593,392	\$5,563,714	\$6,016,114	\$6,477,214
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution	\$195,912	\$189,125	\$297,778	\$245,905	\$240,511	\$257,468	\$238,691	\$261,046	\$284,017	\$251,304
Contributions in relation to the contractually required contribution	195,912	189,125	297,778	245,905	240,511	257,468	238,691	261,046	284,017	251,304
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$1,995,031	\$1,922,002	\$2,199,247	\$1,956,285	\$1,788,186	\$1,860,318	\$1,722,157	\$1,980,622	\$2,028,693	\$1,795,029
Contributions as a percentage of covered-employee payroll	9.82%	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%	14.00%	14.00%

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MINFORD LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2017

Federal Grantor / Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Passed through to Subrecipients	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture							
<i>Passed Through Ohio Department of Education:</i>							
<i>Nutrition Cluster:</i>							
National School Breakfast Program	2016/2017	10.553	\$0	\$74,386	\$0	\$74,386	\$0
National School Lunch Program	2016/2017	10.555	0	232,121	35,332	232,121	35,332
<i>Total Nutrition Cluster</i>			0	306,507	35,332	306,507	35,332
Total U.S. Department of Agriculture			0	306,507	35,332	306,507	35,332
U.S. Department of Education							
<i>Passed Through Ohio Department of Education:</i>							
Title I Grants to Local Educational Agencies	2016	84.010	0	58,904	0	58,904	0
Title I Grants to Local Educational Agencies	2017	84.010	0	407,931	0	381,199	0
<i>Total Title I</i>			0	466,835	0	440,103	0
<i>Special Education Cluster:</i>							
Special Education - Grants to States (IDEA Part B)	2016	84.027	0	59,318	0	59,318	0
Special Education - Grants to States (IDEA Part B)	2017	84.027	0	296,207	0	296,207	0
<i>Total Special Education Cluster</i>			0	355,525	0	355,525	0
Rural Education	2016	84.358	0	3,819	0	4,163	0
Rural Education	2017	84.358	0	21,791	0	21,791	0
<i>Total Rural Education</i>			0	25,610	0	25,954	0
Improving Teacher Quality	2016	84.367	0	9,020	0	9,020	0
Improving Teacher Quality	2017	84.367	0	40,559	0	38,438	0
<i>Total Improving Teacher Quality</i>			0	49,579	0	47,458	0
Total U.S. Department of Education			0	897,549	0	869,040	0
Total Federal Financial Assistance			<u>\$0</u>	<u>\$1,204,056</u>	<u>\$35,332</u>	<u>\$1,175,547</u>	<u>\$35,332</u>

MINFORD LOCAL SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Minford Local School District's (the School District) under programs of the federal government for the fiscal year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements for Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

Board of Education
Minford Local School District
PO Box 204
Minford, Ohio 45653

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minford Local School District (the School District), Scioto County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 15, 2017.

Internal Control over Financial Reporting

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

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

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

Board of Education
Minford Local School District
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Compliance and Other Matters

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

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

December 15, 2017

**Independent Auditor's Report on Compliance with Requirements Applicable for Each Major Program
and on Internal Control over Compliance Required by Uniform Guidance**

Board of Education
Minford Local School District
PO Box 204
Minford, Ohio 45653

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

The School District's Management is responsible for complying with the 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 School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the requirements of the 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 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material aspects, with the compliance requirements referred to above that could directly and materially affect its major federal program identified in the *Summary of Auditor's Results* in the accompanying schedule of findings for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

December 15, 2017

MINFORD LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1.	<i>Type of Financial Statement Opinion</i>	Unmodified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3.	<i>Were there any other significant internal control deficiency reported at the financial statement level (GAGAS)?</i>	No
4.	<i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	No
5.	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6.	<i>Were there any other significant internal control deficiency reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
8.	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
9.	<i>Major Programs (list):</i>	CFDA # 84.010 Title I
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: All Other Programs
11.	<i>Low Risk Auditee under 2 CFR §200.520?</i>	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS FOR FEDERAL AWARDS

There were no findings related to Federal Awards to be reported.

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Dave Yost • Auditor of State

MINFORD LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 22, 2018**