



Dave Yost • Auditor of State

**TROTWOOD–MADISON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2017**

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**TROTWOOD-MADISON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Trotwood-Madison City School District
Montgomery County
3594 North Snyder Road
Trotwood, Ohio 45426

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Trotwood-Madison City School District, Montgomery County, Ohio, as of June 30, 2017, and the respective changes in financial position 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, required budgetary comparison schedule* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

June 20, 2018

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Trotwood-Madison City School District, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The management's discussion and analysis of Trotwood-Madison City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position of governmental activities increased \$1,227,122.
- General revenues accounted for \$34,034,984 in revenue or 73% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,581,436 or 27% of total revenues of \$46,616,420.
- The District had \$45,389,298 in expenses related to governmental activities; \$12,581,436 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$34,034,984 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows of resources, and liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Trotwood-Madison City School District, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

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

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

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

Fund Financial Statements

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

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

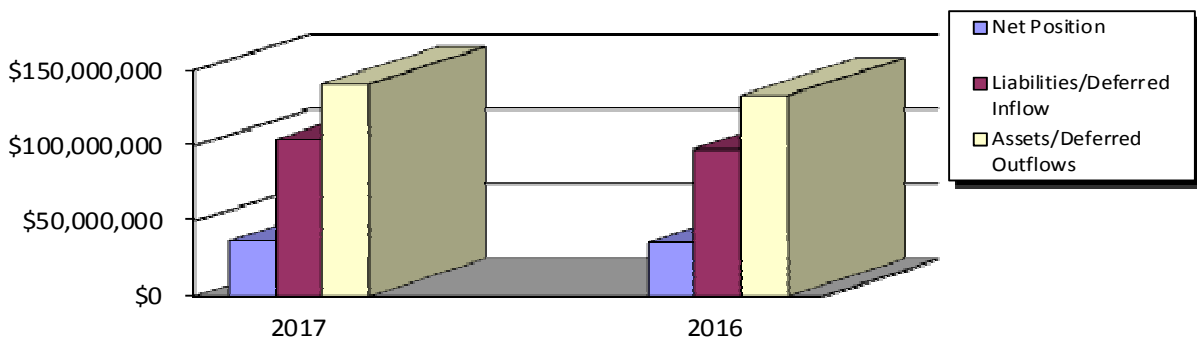
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2017 compared to 2016:

Trotwood-Madison City School District, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2017	2016
Assets:		
Current and Other Assets	\$51,059,895	\$46,977,983
Capital Assets	76,723,693	78,993,531
Total Assets	<u>127,783,588</u>	<u>125,971,514</u>
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	545,053	536,519
	<u>12,576,009</u>	<u>6,882,272</u>
Total Deferred Outflows of Resources	<u>13,121,062</u>	<u>7,418,791</u>
Liabilities:		
Other Liabilities	2,509,797	2,889,451
Long-Term Liabilities	92,094,282	83,196,957
Total Liabilities	<u>94,604,079</u>	<u>86,086,408</u>
Deferred Inflows of Resources:		
Property Taxes	9,262,287	9,039,271
Revenue in Lieu of Taxes	82,076	80,000
Pension	<u>150,648</u>	<u>2,606,188</u>
Total Deferred Inflows of Resources	<u>9,495,011</u>	<u>11,725,459</u>
Net Position:		
Net Investment in Capital Assets	38,440,510	39,819,796
Restricted	5,092,487	4,840,315
Unrestricted	<u>(6,727,437)</u>	<u>(9,081,673)</u>
Total Net Position	<u>\$36,805,560</u>	<u>\$35,578,438</u>



Trotwood-Madison City School District, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets exceeded liabilities by \$36,805,560.

At year-end, capital assets represented 60% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2017, were \$38,440,510. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$5,092,487 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets increased mainly due to an increase in bank balance and investment balance in fiscal year 2017 as compared to fiscal year 2016. Capital Assets decreased due to depreciation expense being greater than current year additions. Long-term liabilities increased mainly due to an increase in the Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2017 and 2016.

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Trotwood-Madison City School District, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues		
Charges for Services	\$434,134	\$537,054
Operating Grants, Contributions	12,147,302	11,110,263
General Revenues:		
Property Taxes	9,941,163	10,061,979
Grants and Entitlements	22,846,968	21,147,382
Other	1,246,853	838,018
Total Revenues	46,616,420	43,694,696
Program Expenses:		
Instruction	20,157,480	20,407,914
Support Services:		
Pupil and Instructional Staff	3,877,834	2,975,926
School Administrative, General		
Administration, Fiscal and Business	4,677,504	4,278,493
Operations and Maintenance	2,899,726	2,922,809
Pupil Transportation	2,245,132	2,064,428
Central	742,846	880,354
Operation of Non-Instructional Services	8,648,046	7,966,503
Extracurricular Activities	802,056	632,674
Interest and Fiscal Charges	1,338,674	1,690,248
Issuance Costs	0	193,122
Total Program Expenses	45,389,298	44,012,471
Change in Net Position	1,227,122	(317,775)
Net Position - Beginning of Year	35,578,438	35,896,213
Net Position - End of Year	\$36,805,560	\$35,578,438

The District revenues are mainly from three sources. Property taxes levied for general, special revenue, debt service and capital projects purposes, grants and entitlements and operating grants and contributions comprised most of the District's revenues for governmental activities.

The increase in net position can be attributed to the increase in grants. Total expenses increased due to increases in administrative and support services.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later

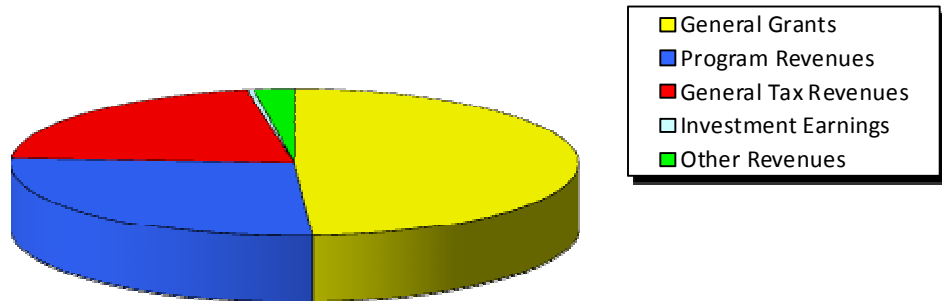
Trotwood-Madison City School District, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 21% of revenue for governmental activities for the District in fiscal year 2017.

Governmental Activities
Revenue Sources

Revenue Sources	2017	Percent of Total
General Grants	\$22,846,968	49.0%
Program Revenues	12,581,436	27.0%
General Tax Revenues	9,941,163	21.3%
Investment Earnings	197,669	0.4%
Other Revenues	1,049,184	2.3%
Total Revenue Sources	<u>\$46,616,420</u>	<u>100.0%</u>



Instruction comprises 44.4% of governmental program expenses. Support services expenses were 31.8% of governmental program expenses. All other expenses, including interest and fiscal charges were 23.8% of governmental program expenses. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Governmental Activities

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

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Trotwood-Madison City School District, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$20,157,480	\$20,407,914	(\$11,977,176)	(\$12,406,289)
Support Services:				
Pupil and Instructional Staff	3,877,834	2,975,926	(2,541,093)	(2,212,271)
School Administrative, General				
Administration, Fiscal and Business	4,677,504	4,278,493	(4,590,916)	(4,135,785)
Operations and Maintenance	2,899,726	2,922,809	(2,725,487)	(2,751,117)
Pupil Transportation	2,245,132	2,064,428	(2,095,539)	(1,906,788)
Central	742,846	880,354	(713,221)	(869,604)
Operation of Non-Instructional Services	8,648,046	7,966,503	(6,142,622)	(5,610,988)
Extracurricular Activities	802,056	632,674	(683,134)	(588,942)
Interest and Fiscal Charges	1,338,674	1,690,248	(1,338,674)	(1,690,248)
Issuance Costs	0	193,122	0	(193,122)
Total Expenses	<u>\$45,389,298</u>	<u>\$44,012,471</u>	<u>(\$32,807,862)</u>	<u>(\$32,365,154)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of these funds comprise \$48,109,875 (94%) of the total \$51,252,131 governmental funds assets.

General Fund: Fund balance at June 30, 2017 was \$31,250,140. The primary reason for the increase in fund balance was due to an increase in intergovernmental revenue.

Debt Service Fund: Fund balance at June 30, 2017 was \$2,480,142. Fund balance remained relatively consistent in 2017 when compared to 2016.

General Fund Budgeting Highlights

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

For the General Fund, final budget basis revenue was \$37,148,631. The original budget estimate was \$34,904,942. The difference was \$2,243,689. Of this difference, most was due to underestimation of taxes and intergovernmental revenues. Actual instruction expenses were lower than the final budgeted amount due to overestimates of these expenses for the year.

The District's ending unobligated cash balance was \$32,160,018.

Trotwood-Madison City School District, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$76,723,693 invested in land, buildings and improvements and equipment net of accumulated depreciation. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

Table 4
Capital Assets at Year End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$1,385,870	\$1,385,870
Buildings and Improvements	73,353,993	75,918,643
Equipment	<u>1,983,830</u>	<u>1,689,018</u>
Total Net Capital Assets	<u>\$76,723,693</u>	<u>\$78,993,531</u>

The decrease in capital assets is due to depreciation exceeding capital asset additions for 2017.

See Note 6 in the Notes to the Basic Financial Statements for further details on the District's capital assets.

Debt

At June 30, 2017, the District had \$38,828,236 in debt outstanding, \$1,581,469 due within one year. Table 5 summarizes debt outstanding.

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Trotwood-Madison City School District, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2017	2016
2016 Refunding Bonds:		
Current Interest Bonds	\$25,710,000	\$0
Premium	3,397,220	0
2007 Refunding Bonds:		
Current Interest Bonds	0	28,605,000
Capital Appreciation Bonds	0	369,817
Accretion of Interest	0	761,791
Premium	0	562,122
2014 HB264 Energy Improvement Loans	1,331,789	1,437,464
Capital Leases:		
2008 Classroom Facilities Project Lease - COP	285,000	560,000
2016 Classroom Facilities Project Lease - Refunding	7,625,000	7,670,000
2016 Classroom Facilities Project Lease - Premium	479,227	505,851
Total Long-Term Bonds and Capital Leases	<u>\$38,828,236</u>	<u>\$40,472,045</u>

See notes 7-8 in the Notes to the Basic Financial Statements for further details on the District's long-term obligations.

For the Future

House Bill 64 was signed into law by Governor John Kasich on Tuesday, June 30, 2015. Ohio's new biennium budget increased funding for K-12 education in the state by more than \$850 million over two years. The District's state funding increased in FY 2017 and is projected to see an increase in FY 2018. The District continues to monitor both revenue and expenditures to make sure there are future funds for new initiatives proposed for instructional and operational programs.

Awards

The District has committed itself to financial excellence in reporting every year. The District has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting since 1999, the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting since 1999 and in the past, has received the GFOA Budget Award.

The District is committed to its core mission and beliefs as they relate to students. We will continue to find innovative ways to increase revenue and reduce expenditures in order to meet the financial challenges of the future. With careful planning and monitoring of the District's finances, the District's administration is confident that the District can continue to provide a quality education for our students and provide them a secure financial future.

Trotwood-Madison City School District, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Trotwood-Madison City Schools, 3594 N. Snyder Road, Trotwood, Ohio 45426.

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Trotwood-Madison City School District, Ohio
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$36,469,303
Restricted Cash and Investments	81,076
Receivables:	
Taxes	13,732,759
Accounts	119,993
Intergovernmental	564,594
Prepays	89,558
Inventory	2,612
Nondepreciable Capital Assets	1,385,870
Depreciable Capital Assets, Net	<u>75,337,823</u>
 Total Assets	 <u>127,783,588</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	545,053
	<u>12,576,009</u>
 Total Deferred Outflows of Resources	 <u>13,121,062</u>
 Liabilities:	
Accounts Payable	125,483
Accrued Wages and Benefits	2,287,942
Accrued Interest Payable	96,372
Long-Term Liabilities:	
Due Within One Year	1,809,518
Due In More Than One Year	
Net Pension Liability	52,369,684
Other Amounts	<u>37,915,080</u>
 Total Liabilities	 <u>94,604,079</u>
 Deferred Inflows of Resources:	
Property Taxes	9,262,287
Revenue in Lieu of Taxes	82,076
Pension	<u>150,648</u>
 Total Deferred Inflows of Resources	 <u>9,495,011</u>
 Net Position:	
Net Investment in Capital Assets	38,440,510
Restricted for:	
Debt Service	3,111,126
Capital Projects	875,562
Classroom Facilities Maintenance	1,041,526
Federal Grants	15,719
Other Purposes	48,554
Unrestricted	<u>(6,727,437)</u>
 Total Net Position	 <u>\$36,805,560</u>

See accompanying notes to the basic financial statements.

Trotwood-Madison City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$13,155,287	\$103,351	\$3,109,648	(\$9,942,288)
Special	5,704,645	52,257	3,269,474	(2,382,914)
Vocational	181,466	0	170,162	(11,304)
Other	1,116,082	4,749	1,470,663	359,330
Support Services:				
Pupil	2,512,804	0	275,035	(2,237,769)
Instructional Staff	1,365,030	0	1,061,706	(303,324)
General Administration	55,120	0	0	(55,120)
School Administration	3,140,634	83,677	0	(3,056,957)
Fiscal	1,064,479	0	2,911	(1,061,568)
Business	417,271	0	0	(417,271)
Operations and Maintenance	2,899,726	31,558	142,681	(2,725,487)
Pupil Transportation	2,245,132	0	149,593	(2,095,539)
Central	742,846	0	29,625	(713,221)
Operation of Non-Instructional Services	8,648,046	39,620	2,465,804	(6,142,622)
Extracurricular Activities	802,056	118,922	0	(683,134)
Interest and Fiscal Charges	1,338,674	0	0	(1,338,674)
Totals	\$45,389,298	\$434,134	\$12,147,302	(32,807,862)

General Revenues:

Property Taxes Levied for:

General Purposes	7,569,876
Special Revenue Purposes	90,368
Debt Service Purposes	1,827,267
Capital Projects Purposes	453,652
Grants and Entitlements, Not Restricted	22,846,968
Revenue in Lieu of Taxes	82,076
Investment Earnings	197,669
Other Revenues	967,108

Total General Revenues 34,034,984

Change in Net Position 1,227,122

Net Position - Beginning of Year 35,578,438

Net Position - End of Year \$36,805,560

See accompanying notes to the basic financial statements.

Trotwood-Madison City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Total Other (Nonmajor) Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$32,207,191	\$2,349,414	\$1,912,698	\$36,469,303
Restricted Cash and Investments	81,076	0	0	81,076
Receivables:				
Taxes	10,320,408	2,703,039	709,312	13,732,759
Accounts	102,076	0	17,917	119,993
Intergovernmental	82,076	0	482,518	564,594
Interfund	192,236	0	0	192,236
Prepays	72,359	0	17,199	89,558
Inventory	0	0	2,612	2,612
Total Assets	43,057,422	5,052,453	3,142,256	51,252,131
Liabilities:				
Accounts Payable	58,627	0	66,856	125,483
Accrued Wages and Benefits	1,823,970	0	463,972	2,287,942
Compensated Absences	53,461	0	0	53,461
Interfund Payable	0	0	192,236	192,236
Total Liabilities	1,936,058	0	723,064	2,659,122
Deferred Inflows of Resources:				
Property Taxes	6,931,935	1,869,272	467,545	9,268,752
Property Taxes - Unavailable	2,857,213	703,039	202,847	3,763,099
Grants and Other Taxes	0	0	15,160	15,160
Revenue in Lieu of Taxes	82,076	0	0	82,076
Total Deferred Inflows of Resources	9,871,224	2,572,311	685,552	13,129,087
Fund Balances:				
Nonspendable	72,359	0	17,199	89,558
Restricted	0	2,480,142	1,802,995	4,283,137
Assigned	32,871	0	0	32,871
Unassigned	31,144,910	0	(86,554)	31,058,356
Total Fund Balances	31,250,140	2,480,142	1,733,640	35,463,922
Total Liabilities, Deferred Inflows and Fund Balances	\$43,057,422	\$5,052,453	\$3,142,256	\$51,252,131

See accompanying notes to the basic financial statements.

Trotwood-Madison City School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balance		\$35,463,922
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		76,723,693
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	\$3,769,564	
Intergovernmental	<u>15,160</u>	
		3,784,724
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(96,372)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(842,901)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		545,053
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$12,576,009	
Deferred inflows of resources related to pensions	<u>(150,648)</u>	
		12,425,361
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(\$52,369,684)	
Other Amounts	<u>(38,828,236)</u>	
		<u>(91,197,920)</u>
Net Position of Governmental Activities		<u><u>\$36,805,560</u></u>

See accompanying notes to the basic financial statements.

Trotwood-Madison City School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Debt Service	Total Other (Nonmajor) Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$7,414,845	\$1,791,802	\$533,463	\$9,740,110
Tuition and Fees	160,357	0	0	160,357
Investment Earnings	191,358	0	6,311	197,669
Intergovernmental	28,739,390	432,848	5,909,918	35,082,156
Extracurricular Activities	19,825	0	182,774	202,599
Charges for Services	8,562	0	39,620	48,182
Revenue in Lieu of Taxes	82,076	0	0	82,076
Other Revenues	988,835	3,674	1,269	993,778
Total Revenues	37,605,248	2,228,324	6,673,355	46,506,927
Expenditures:				
Current:				
Instruction:				
Regular	9,410,934	0	1,008,448	10,419,382
Special	4,861,945	0	510,756	5,372,701
Vocational	129,988	0	0	129,988
Other	176,891	0	838,109	1,015,000
Support Services:				
Pupil	2,021,540	0	295,495	2,317,035
Instructional Staff	524,437	0	691,384	1,215,821
General Administration	53,068	0	0	53,068
School Administration	2,745,120	0	114,161	2,859,281
Fiscal	847,667	33,148	10,583	891,398
Business	397,360	0	0	397,360
Operations and Maintenance	2,602,094	0	116,657	2,718,751
Pupil Transportation	2,058,037	0	0	2,058,037
Central	645,786	0	65,985	711,771
Operation of Non-Instructional Services	6,099,559	0	2,431,378	8,530,937
Extracurricular Activities	566,260	0	147,560	713,820
Capital Outlay	255	0	0	255
Debt Service:				
Principal Retirement	105,675	774,817	320,000	1,200,492
Interest and Fiscal Charges	24,912	1,797,559	303,341	2,125,812
Total Expenditures	33,271,528	2,605,524	6,853,857	42,730,909
Excess of Revenues Over (Under) Expenditures	4,333,720	(377,200)	(180,502)	3,776,018
Other Financing Sources (Uses):				
Refunding Debt Issued	0	26,115,000	0	26,115,000
Premium on Refunding Debt Issued	0	3,398,552	0	3,398,552
Payment to Refunded Bond Escrow Agent	0	(29,206,521)	0	(29,206,521)
Transfers In	0	0	670,012	670,012
Transfers (Out)	(670,012)	0	0	(670,012)
Total Other Financing Sources (Uses)	(670,012)	307,031	670,012	307,031
Net Change in Fund Balance	3,663,708	(70,169)	489,510	4,083,049
Fund Balance - Beginning of Year	27,586,432	2,550,311	1,244,130	31,380,873
Fund Balance - End of Year	\$31,250,140	\$2,480,142	\$1,733,640	\$35,463,922

See accompanying notes to the basic financial statements.

Trotwood-Madison City School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balance - Total Governmental Funds \$4,083,049

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

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

Capital assets used in governmental activities	\$605,335	
Depreciation Expense	<u>(2,875,173)</u>	
		(2,269,838)

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

District pension contributions	\$2,679,979	
Cost of benefits earned net of employee contributions	<u>(5,183,323)</u>	
		(2,503,344)

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

Delinquent Property Taxes	\$201,054	
Intergovernmental	<u>(91,561)</u>	
		109,493

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

Deferred Amount on Refunding	39,399	
Premium on Bonds Issued	(3,398,552)	
Refunding Bonds	(26,115,000)	
Bonds Refunded	<u>29,167,122</u>	
		(307,031)

Repayment of bond and lease principal and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,030,675

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 28,256

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

Compensated Absences	\$127,163	
Amortization of Bond Premium	27,956	
Amortization of Deferred Charge on Refunding	(30,865)	
Bond Accretion	<u>(68,392)</u>	
		<u>55,862</u>

Change in Net Position of Governmental Activities \$1,227,122

See accompanying notes to the basic financial statements.

Trotwood-Madison City School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$38,002</u>	<u>\$18,952</u>
Total Assets	<u>38,002</u>	<u>18,952</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>18,952</u>
Total Liabilities	<u>0</u>	<u>\$18,952</u>
Net Position:		
Held in Trust	<u>38,002</u>	
Total Net Position	<u>\$38,002</u>	

See accompanying notes to the basic financial statements.

Trotwood-Madison City School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions:	
Investment Earnings	\$288
Other	500
Total Additions	<u>788</u>
Deductions:	
Scholarships	<u>4,500</u>
Total Deductions	<u>4,500</u>
Change in Net Position	(3,712)
Net Position - Beginning of Year	<u>41,714</u>
Net Position - End of Year	<u><u>\$38,002</u></u>

See accompanying notes to the basic financial statements.

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the District

The Trotwood-Madison City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Trotwood-Madison City School District is a city school district as defined by Section 3311.02, Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District serves an area of approximately 29 square miles. It is located in Montgomery County and includes all of the former Madison Township and the City of Trotwood. The District is the 139th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 163 classified employees, 177 certified teaching personnel, and 27 administrative employees who provide services to 2,558 students and other community members. The District currently operates five instructional/support buildings.

Management believes the financial statements included in this report represent all of the funds of the District for which the Board of Education has fiscal responsibility.

Note 2 - Summary of Significant Accounting Policies

Reporting Entity

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", and GASB Statement No. 61, "The Financial Reporting Entity Omnibus an Amendment of GASB Statements No.14 and No. 34", the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

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

The District is associated with four jointly governed organizations and one public entity shared risk pool. These organizations are:

Jointly Governed Organizations:

- Metropolitan Educational Technology Association
- Southwestern Ohio Instructional Technology Association
- Miami Valley Career Technology Center
- Southwestern Ohio Educational Purchasing Council

Public Entity Shared Risk Pool:

- Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

These organizations are presented in Note 13 and 14.

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

Measurement Focus

Government-wide Financial Statements

The 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.

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The District has no business-type activities so the statements only report governmental activities of the District. The statement of net position presents the financial condition of the governmental activities of the District at year-end.

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

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

Fund Financial Statements

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Private purpose trust funds are reported using the economic resources measurement focus.

Fund Accounting

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

Governmental Funds

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

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

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

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. Private purpose trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

results of operations. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. The District's Agency fund is a student managed activity fund which accounts for assets and liabilities generated by student managed activities.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the government-wide statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to a deferred charge on refunding and pension are reported on the governmental-wide statement of net position. For more pension related information, see Note 9.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, property taxes (unavailable), revenue in lieu of taxes (which includes tax incremental financing 'TIF'), grants and other taxes, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Property taxes (unavailable) are reported only on the governmental funds balance sheet and represents delinquent property taxes. Revenue in lieu of taxes (TIFs) has been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. For more pension related information, see Note 9.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasurer Asset Reserve of Ohio (STAR Ohio) during fiscal year 2017, an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes. The District also invested in Money Markets.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during the current fiscal year amounted to \$191,358 credited to the General Fund and \$6,311 credited to Other Governmental funds.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance nonspendable in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Pensions

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

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting payment method. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that have matured, for example, as a result of employee resignations and retirements.

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

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	not eligible	20-25 days	10-20 days for each service year depending on length of service
Maximum accumulation	not applicable	30 days unless special permission granted	30-60 days
Vested	not applicable	as earned	as earned
Termination entitlement	not applicable	30 days maximum	paid upon termination
<u>Sick Leave</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	1 ¼ days per month of employment (15 days per year)	1 ¼ days per month of employment (15 days per year)	1 ¼ days per month of employment (15 days per year)
Maximum accumulation	350 days	350 days	350 days
Vested	as earned	as earned	as earned
Termination entitlement	per contract	per contract	per contract

These amounts are recorded in the account "compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid primarily from the General Fund.

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment the current year. Bonds are recognized as a liability on the fund financial statements when due.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the \$5,092,487 in restricted net position, none were restricted by enabling legislation.

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Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund "receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net position.

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Fund Balance

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

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

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

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

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

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

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

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates

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

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
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Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

Note 3 - Equity in Pooled Cash and Investments

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).

Trotwood-Madison City School District, Ohio
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For the Fiscal Year Ended June 30, 2017

- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement 40, "Deposit and Investment Risk Disclosures".

Deposits

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2017, \$4,915,919 of the District's bank balance of \$6,283,155 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount of deposits was \$6,258,682.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

Investments

As of June 30, 2017, the District had the following investments:

Trotwood-Madison City School District, Ohio
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Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Federal Home Loan Mortgage	\$1,894,402	Level 2	2.76
Federal Farm Credit Banks	696,016	Level 2	1.62
Negotiable CDs	3,646,853	Level 2	1.77
Federal National Mortgage Association	1,546,729	Level 2	2.11
STAR Ohio	21,498,937	N/A	0.13
Money Market	1,065,738	N/A	0.00
Total Fair Value	\$30,348,675		
Portfolio Weighted Average Maturity			0.62

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2017. STAR Ohio is reported at its share price (Net Asset value per share). All other investments of the District are valued using quoted market prices.

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Mortgage, Federal Farm Credit Bank, and Federal National Mortgage Association were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. Investments in STAROhio were rated AAAM by Standard & Poor's. Money Market Funds and Negotiable CDs were not rated.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 6% in Federal Home Loan Mortgage, 2% in Federal Farm Credit Bank, 12% in Negotiable CDs, 5% in Federal National Mortgage Association, 4% in Money Market Funds and 71% in STAR Ohio.

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

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes.

Trotwood-Madison City School District, Ohio
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Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2018 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, and public utility taxes that became measurable as of June 30, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows for that portion not intended to finance current year operations. The amounts available for advance that are recognized as revenue, as of June 30, 2017, were \$531,260 in the General Fund, \$130,728 in the Debt Service Fund, and \$38,920 in Other Governmental Funds.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$200,761,660
Public Utility	<u>11,230,730</u>
Total	<u><u>\$211,992,390</u></u>

Note 5 – Receivables

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

Trotwood-Madison City School District, Ohio
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Governmental Activities	Amount
General Fund	\$82,076
EHA Preschool Grant	1,243
Title VI-B	92,755
Title I	347,090
Title I School Improvement A	9,154
Title II-A	32,276
Total Intergovernmental Receivable	<u>\$564,594</u>

Note 6 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,385,870	\$0	\$0	\$1,385,870
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	99,387,774	0	0	99,387,774
Equipment	3,545,207	605,335	172,078	3,978,464
Totals at Historical Cost	<u>104,318,851</u>	<u>605,335</u>	<u>172,078</u>	<u>104,752,108</u>
Less Accumulated Depreciation:				
Buildings and Improvements	23,469,131	2,564,650	0	26,033,781
Equipment	1,856,189	310,523	172,078	1,994,634
Total Accumulated Depreciation	<u>25,325,320</u>	<u>2,875,173</u>	<u>172,078</u>	<u>28,028,415</u>
Governmental Activities Capital Assets, Net	<u>\$78,993,531</u>	<u>(\$2,269,838)</u>	<u>\$0</u>	<u>\$76,723,693</u>

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Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,468,750
Special	49,074
Vocational	198
Support Services:	
Pupil	653
Instructional Staff	8,127
School Administration	104,151
Business	320
Operations and Maintenance	76,973
Pupil Transportation	62,788
Central	12,034
Operation of Non-Instructional Services	44,917
Extracurricular Activities	47,188
Total Depreciation Expense	<u><u>\$2,875,173</u></u>

Note 7 - Capitalized Leases

On August 15, 2007, the District issued \$10,000,000 in Certificates of Participation (COPS) with an average interest rate of 4.75%, which was used to advance refund \$9,796,000 of outstanding 2004 OASBO Lease with an average interest rate of 5.15%. The District purchased \$10,092,586 in U.S. Government Securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 OASBO Lease. As a result, \$9,796,000 of the 2004 OASBO Lease is considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

On December 17, 2015, the District issued \$7,670,000 in Certificates of Participation (COPS) with an average interest rate of 3.53%, which was to partially advance refund \$8,275,000 of outstanding 2008 OASBO Lease with an average interest rate of 4.75%. The District purchased 7,986,519 in US Government Securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the OASBO Lease. As a result, \$7,450,000 of the 2008 OASBO Lease is considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

Principal and interest requirements to retire capital leases outstanding at year end are as follows:

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Trotwood-Madison City School District, Ohio
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For the Fiscal Year Ended June 30, 2017

Fiscal Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2018	\$315,000	\$290,163	\$605,163
2019	330,000	278,500	608,500
2020	345,000	268,375	613,375
2021	350,000	257,950	607,950
2022	360,000	245,500	605,500
2023-2027	2,045,000	993,000	3,038,000
2028-2032	2,460,000	564,200	3,024,200
2033-2035	1,705,000	104,100	1,809,100
Total	\$7,910,000	\$3,001,788	\$10,911,788

Capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No. 13 are as follows:

Buildings and Improvements	\$10,657,000
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Note 8 - Long-Term Liabilities

The change in the District's long-term obligations during the year consist of the following:

Governmental Activities:	Maturity	Interest Rate	Beginning	Issued	Retired	Ending	Due In One Year
			Principal Outstanding			Principal Outstanding	
Bonds:							
2016 Refunding:							
\$26,115,000 - Current Interest			\$0	\$26,115,000	\$405,000	\$25,710,000	\$1,160,000
Premium			0	3,398,552	1,332	3,397,220	0
2007 Refunding:							
\$29,825,000 - Current Interest	12/1/30	4.40%	28,605,000	0	28,605,000	0	0
\$1,010,000 - Capital Appreciation	12/1/16		369,817	0	369,817	0	0
Accretion of Interest			761,791	68,392	830,183	0	0
\$936,862 - Premium on 2007 Refunding			562,122	0	562,122	0	0
2014 HB264 Energy Improvement Loans		1.00%	1,437,464	0	105,675	1,331,789	106,469
Subtotal Bonds			31,736,194	29,581,944	30,879,129	30,439,009	1,266,469
Capital Leases:							
2008 Classroom Facilities Project Lease	12/1/34	4.75%	560,000	0	275,000	285,000	285,000
2016 Classroom Facilities Project Lease - Refunding			7,670,000	0	45,000	7,625,000	30,000
2016 Classroom Facilities Project Lease - Premium			505,851	0	26,624	479,227	0
Compensated Absences			1,007,849	111,654	223,141	896,362	228,049
Subtotal Bonds and Other Amounts			41,479,894	29,693,598	31,448,894	39,724,598	1,809,518
Net Pension Liability:							
STRS			31,557,181	8,040,508	0	39,597,689	0
SERS			10,159,882	2,612,113	0	12,771,995	0
Total Net Pension Liability			41,717,063	10,652,621	0	52,369,684	0
Total Long-Term Obligations			\$83,196,957	\$40,346,219	\$31,448,894	\$92,094,282	\$1,809,518

Trotwood-Madison City School District, Ohio
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For the Fiscal Year Ended June 30, 2017

During fiscal years 2014 and 2015, the District issued a HB264 Energy Improvement Loan with an average rate of 1.00%. The issuance will be used to make energy conservation improvements throughout the District. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this loan are recorded as an expenditure in the general fund.

Bonds payable will be paid from the debt service, the HB264 loan will be paid from the general fund, and capital leases will be paid from the permanent improvement funds. Compensated absences will mainly be paid from the general fund.

On September 6, 2016, the District issued \$26,115,000 in School Improvement Refunding bonds with an average interest rate of 2.00%, which was used to advance refund \$28,605,000 of outstanding 2007 School Improvement Bonds. The net proceeds of \$29,206,521 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the 2007 School Improvement Bonds. As a result, \$28,605,000 of the 2007 School Improvement Bonds are considered to be defeased and the related liability for those bonds has been removed from the Statement of Net Position.

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

Fiscal Year Ending June 30	Current Interest Bonds and Loans		
	Principal	Interest	Total
2018	\$1,266,469	\$892,664	\$2,159,133
2019	1,292,269	868,414	2,160,683
2020	1,428,075	842,558	2,270,633
2021	1,483,887	802,921	2,286,808
2022	1,714,706	764,441	2,479,147
2023-2027	9,871,017	2,921,450	12,792,467
2028-2031	9,985,366	766,064	10,751,430
Total	<u>\$27,041,789</u>	<u>\$7,858,512</u>	<u>\$34,900,301</u>

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the employer’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

Trotwood-Madison City School District, Ohio
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For the Fiscal Year Ended June 30, 2017

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 obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions are financed; however, the employer 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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the employer 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 14.00 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$809,491 for fiscal year 2017. Of this amount \$183,365 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

Trotwood-Madison City School District, Ohio
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For the Fiscal Year Ended June 30, 2017

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, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The employer 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 contractually required contribution to STRS was \$1,870,488 for fiscal year 2017. Of this amount \$296,268 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Trotwood-Madison City School District, Ohio
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$12,771,995	\$39,597,689	\$52,369,684
Proportion of the Current Net Pension Liability	0.17450280%	0.11829735%	
Proportion of the Prior Net Pension Liability	<u>0.17805310%</u>	<u>0.11418423%</u>	
Change in Proportionate Share	<u>-0.00355030%</u>	<u>0.00411312%</u>	
Pension Expense	1,522,437	3,660,886	5,183,323

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$172,265	\$1,599,937	\$1,772,202
Changes of assumptions	852,601	0	852,601
Net difference between projected and actual earnings on pension plan investments	1,053,503	3,287,672	4,341,175
Changes in employer proportionate share of net pension liability	660,976	2,269,076	2,930,052
Contributions subsequent to the measurement date	<u>809,491</u>	<u>1,870,488</u>	<u>2,679,979</u>
Total Deferred Outflows of Resources	<u><u>\$3,548,836</u></u>	<u><u>\$9,027,173</u></u>	<u><u>\$12,576,009</u></u>
Deferred Inflows of Resources			
Changes in employer proportionate share of net pension liability	<u>\$150,648</u>	<u>\$0</u>	<u>\$150,648</u>
Total Deferred Inflows of Resources	<u><u>\$150,648</u></u>	<u><u>\$0</u></u>	<u><u>\$150,648</u></u>

\$2,679,979 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$775,015	\$1,452,436	\$2,227,451
2019	774,256	1,452,436	2,226,692
2020	736,586	2,714,009	3,450,595
2021	<u>302,839</u>	<u>1,537,805</u>	<u>1,840,644</u>
Total	<u><u>\$2,588,696</u></u>	<u><u>\$7,156,686</u></u>	<u><u>\$9,745,382</u></u>

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Actuarial Assumptions - SERS

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

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

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

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

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

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

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

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	10.00	3.00
Total	100.00 %	

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$16,909,325	\$12,771,995	\$9,308,877

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

Actuarial assumptions used in the June 30, 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:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 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.

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$52,622,111	\$39,597,689	\$28,610,821

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 the net pension liability is expected to be significant.

Note 10 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible 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’ postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

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 pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total 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

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$107,086, respectively.

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 on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$0, respectively.

Note 11 - Contingent Liabilities

Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2017.

Litigation

The District did not have any lawsuits last year, which would have adversely affected the school system's financial condition. No lawsuits of a significant nature are currently pending against the District; therefore management doesn't currently anticipate any financial harm being borne by the school system.

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 12 - Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year, the District contracted with Netherlands Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$118,525,311 for property. Property has a \$2,500 deductible. Vehicle insurance is covered by Netherlands Insurance Company for replacement cost with a \$250 deductible for comprehensive and a \$500 deductible for collision. General liability insurance is under Netherlands Insurance Company. The base policy has a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit. The treasurer and business director are bonded. There were no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage during the past three fiscal years.

The District is enrolled in a Group Retrospective Rating program through Comp Management (Sedgwick), a third party administrator. This program is an incentive program to encourage safety and injury prevention in the workplace. As a participant in this program, the District is pooled together with other districts and receives refunds and/or assessments based on the overall performance of the group. As a participant, the District pays their own premiums for the plan year as required. Any refunds and/or assessments come from or are paid directly to BWC.

Note 13 – Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan – The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative. The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage, which is provided by Anthem Blue Cross or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a dental plan administered by CareSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. Financial information can be obtained from the administrator, at EPC Benefits Office, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Note 14 - Jointly Governed Organizations

Metropolitan Educational Technology Association - The Metropolitan Educational Technology Association (META) is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs. The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each District's degree of control is limited to its representation on the Board. Financial information can be obtained from the Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Southwestern Ohio Instructional Technology Association – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at-large non-public service representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government or to a state or local government for a public purpose. Payments to SOITA are made from the General Fund. To obtain financial information, write to the Director at Southwestern Ohio Instructional Technology Association, 1205 E. Fifth Street, Dayton, Ohio 45402.

Miami Valley Career Technology Center – The Miami Valley Career Technology Center (MVCTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one is appointed from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. All member districts are obligated to pay all fees, charges or other assessments as established by MVCTC. To obtain financial information, write to the Treasurer at Miami Valley Career Technology Center, 6800 Hoke Road, Clayton, Ohio 45315.

Southwestern Ohio Educational Purchasing Council – The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of school districts and educational service centers in 12 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. The Board exercises total control over the operations of the coalition including budgeting, appropriating, contracting and designating management. Each District's degree of control is limited to its representation on the Board. Payments to SOEPC are made from the General Fund. To obtain financial information, write to the Director at Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 – Accountability

As of year end, the following funds had deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Other Governmental Funds:	
Auxiliary Services	\$23,533
EHA Preschool Grant	56
Title I School Improvement A	632
Public School Preschool	30,731
Data Communications	24,855
Title VI-B Preschool	2,108

The deficits in fund balances were primarily due to accrual in GAAP. The general fund is liable for any deficit in these funds and will provide transfers when cash is required not when accruals occur.

Note 16 - Set-Asides

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

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

	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2016	\$0	\$81,076
Current Year Set Aside Requirements	429,807	0
Qualified Disbursements	(353,443)	0
Current Year Offsets	(76,364)	0
Set Aside Reserve Balance as of June 30, 2017	<u>\$0</u>	<u>\$81,076</u>
Restricted Cash as of June 30, 2017	<u>\$0</u>	<u>\$81,076</u>

The District issued \$44,774,000 in bonds and loans in fiscal year 2002 to provide for the construction of a new school building. This amount is an allowable offset to future years for the capital improvement and maintenance set-aside. The District had qualifying disbursements and offset carry forwards from prior years for capital acquisitions that exceeded the required set-aside. Offsets can be carried forward to use against future year capital acquisition set-asides.

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. As of June 30, 2017, the Board had not acted on the Senate Bill requirements to eliminate the reserve balance.

Note 17 - Interfund Transactions

Interfund transactions at June 30, 2017, consisted of the following individual fund receivables and payables, transfers in and out.

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$192,236	\$0	\$0	\$670,012
Other Governmental Funds	0	192,236	670,012	0
Total All Funds	<u>\$192,236</u>	<u>\$192,236</u>	<u>\$670,012</u>	<u>\$670,012</u>

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

Note 18 – Fund Balances

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

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Prepays	\$72,359	\$0	\$17,199	\$89,558
Total Nonspendable	72,359	0	17,199	89,558
Restricted for:				
Other Grants	0	0	1,955	1,955
Classroom Facilities Maintenance	0	0	1,006,757	1,006,757
Title I	0	0	5,295	5,295
Management Information	0	0	313	313
Food Services	0	0	11,504	11,504
Miscellaneous Federal Grants	0	0	5,951	5,951
Ohio Reads	0	0	26	26
Extracurricular Activity	0	0	42,597	42,597
Miscellaneous State Grants	0	0	3,663	3,663
Building	0	0	291,505	291,505
Debt Service	0	2,480,142	0	2,480,142
Permanent Improvement	0	0	433,329	433,329
Classroom Facilities	0	0	100	100
Total Restricted	0	2,480,142	1,802,995	4,283,137
Assigned to:				
Public School Support	32,871	0	0	32,871
Total Assigned	32,871	0	0	32,871
Unassigned (Deficit)	31,144,910	0	(86,554)	31,058,356
Total Fund Balance	<u>\$31,250,140</u>	<u>\$2,480,142</u>	<u>\$1,733,640</u>	<u>\$35,463,922</u>

Note 19 – Construction and Other Commitments

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

	<u>Remaining Commitment</u>
General Fund	\$14,402
Other Governmental Funds	\$40,043

Trotwood-Madison City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 20 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units – An Amendment of GASB No. 14*.

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

Note 21 – Tax Abatements entered Into By Other Governments

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) and Enterprise Zone Agreement (“EZA”) programs with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. The EZA program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in the community. Within the taxing districts of the District, The City of Trotwood has entered into EZA agreements. Under these agreements the District’s property taxes were reduced by \$181,049.

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Trotwood-Madison City School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.11829735%	0.11418423%	0.10639730%	0.10639730%
District's Proportionate Share of the Net Pension Liability	\$39,597,689	\$31,557,181	\$25,879,506	\$30,744,478
District's Covered-Employee Payroll	\$13,464,107	\$11,563,129	\$11,707,085	\$10,373,453
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	294.10%	272.91%	221.06%	296.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2014 is not available

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

Trotwood-Madison City School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.17450280%	0.17805310%	0.15610500%	0.15610500%
District's Proportionate Share of the Net Pension Liability	\$12,771,995	\$10,159,882	\$7,900,385	\$9,285,846
District's Covered-Employee Payroll	\$5,158,679	\$5,157,633	\$4,581,919	\$4,183,705
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	247.58%	196.99%	172.43%	221.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) - Information prior to 2014 is not available

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

Trotwood-Madison City School District, Ohio
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$1,870,488	\$1,884,975	\$1,618,838	\$1,521,921	\$1,525,668	\$1,290,180	\$1,606,152	\$2,129,424	\$2,064,072	\$1,810,332
Contributions in Relation to the Contractually Required Contribution	<u>(1,870,488)</u>	<u>(1,884,975)</u>	<u>(1,618,838)</u>	<u>(1,521,921)</u>	<u>(1,525,668)</u>	<u>(1,290,180)</u>	<u>(1,606,152)</u>	<u>(2,129,424)</u>	<u>(2,064,072)</u>	<u>(1,810,332)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$13,360,629	\$13,464,107	\$11,563,129	\$11,707,085	\$11,735,908	\$9,924,462	\$12,355,015	\$16,380,185	\$15,877,477	\$13,925,631
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Trotwood-Madison City School District, Ohio
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$809,491	\$722,215	\$679,776	\$635,054	\$869,400	\$830,832	\$797,520	\$779,472	\$846,012	\$803,688
Contributions in Relation to the Contractually Required Contribution	(809,491)	(722,215)	(679,776)	(635,054)	(869,400)	(830,832)	(797,520)	(779,472)	(846,012)	(803,688)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$5,782,079	\$5,158,679	\$5,157,633	\$4,581,919	\$6,281,792	\$6,177,190	\$6,344,630	\$5,756,809	\$8,597,683	\$8,184,196
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Trotwood-Madison City School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Taxes	\$6,895,170	\$7,338,391	\$7,345,157	\$6,766
Revenue in lieu of taxes	77,048	82,000	82,076	76
Tuition and Fees	126,145	134,253	134,377	124
Investment Earnings	179,635	191,182	191,358	176
Intergovernmental	26,978,725	28,712,918	28,739,390	26,472
Charges for Services	8,037	8,554	8,562	8
Other Revenues	640,182	681,333	681,961	628
Total Revenues	34,904,942	37,148,631	37,182,881	34,250
Expenditures:				
Current:				
Instruction:				
Regular	15,179,276	15,902,297	15,721,173	181,124
Special	4,687,586	4,910,866	4,854,932	55,934
Vocational	114,659	120,120	118,752	1,368
Other	199,391	208,888	206,509	2,379
Support Services:				
Pupil	1,969,005	2,062,793	2,039,298	23,495
Instructional Staff	507,222	531,382	525,330	6,052
General Administration	51,239	53,679	53,068	611
School Administration	2,624,153	2,749,147	2,717,835	31,312
Fiscal	812,603	851,309	841,613	9,696
Business	357,267	374,284	370,021	4,263
Operations and Maintenance	2,581,792	2,704,768	2,673,961	30,807
Pupil Transportation	1,988,623	2,083,345	2,059,616	23,729
Central	622,739	652,402	644,971	7,431
Operation of Non-Instructional Services	6,120	6,411	6,338	73
Extracurricular Activities	477,104	499,829	494,136	5,693
Capital Outlay	246	258	255	3
Debt Service:				
Principal Retirement	102,032	106,892	105,675	1,217
Interest and Fiscal Charges	13,625	14,274	14,111	163
Total Expenditures	32,294,682	33,832,944	33,447,594	385,350
Excess of Revenues Over (Under) Expenditures	2,610,260	3,315,687	3,735,287	419,600
Other Financing Sources (Uses):				
Advances In	65,093	69,277	69,341	64
Advances (Out)	(185,610)	(194,451)	(192,236)	2,215
Transfers In	506,213	538,752	539,249	497
Transfers (Out)	(646,917)	(677,731)	(670,012)	7,719
Total Other Financing Sources (Uses)	(261,221)	(264,153)	(253,658)	10,495
Net Change in Fund Balance	2,349,039	3,051,534	3,481,629	430,095
Fund Balance Beginning of Year, (includes prior year encumbrances appropriated)	28,678,389	28,678,389	28,678,389	0
Fund Balance - End of Year	\$31,027,428	\$31,729,923	\$32,160,018	\$430,095

See accompanying notes to the required supplementary information.

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Trotwood-Madison City School District, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Note 1 - Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2017.

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

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

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

Trotwood-Madison City School District, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

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

	<u>General</u>
GAAP Basis	\$3,663,708
Revenue Accruals	(422,565)
Expenditure Accruals	(160,921)
Transfers In	539,249
Advances In	69,341
Advances (Out)	(192,236)
Encumbrances	(14,403)
Funds Budgeted Elsewhere	(544)
Budget Basis	<u><u>\$3,481,629</u></u>

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**TROTWOOD-MADISON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/ Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	\$509,994	\$9,140	\$509,994	\$9,140
National School Lunch Program	10.555	N/A	1,151,458	100,079	1,151,458	100,079
Summer Food Service Program for Children	10.559	N/A	126,374		126,374	
Total Child Nutrition Cluster			<u>1,787,826</u>	<u>109,219</u>	<u>1,787,826</u>	<u>109,219</u>
Child and Adult Care Food Program	10.558	N/A	14,119		14,119	
Total U.S. Department of Agriculture			<u>1,801,945</u>	<u>109,219</u>	<u>1,801,945</u>	<u>109,219</u>
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	S010A160035	2,145,269		2,131,215	
Special Education Cluster:						
Special Education_Grants to States	84.027	H027A150111	553,645		604,100	
Special Education_Preschool Grants	84.173	H173A150119	7,447		7,526	
Total Special Education Cluster			<u>561,092</u>		<u>611,626</u>	
Twenty-First Century Community Learning Centers	84.287	S287C160035	212,601		201,889	
Supporting Effective Instruction State Grants	84.367	S367A160034	165,068		170,361	
Total U.S. Department of Education			<u>3,084,030</u>		<u>3,115,091</u>	
Total Receipts and Expenditures of Federal Awards			<u>\$4,885,975</u>	<u>\$109,219</u>	<u>\$4,917,036</u>	<u>\$109,219</u>

The accompanying notes are an integral part of this schedule.

**TROTWOOD-MADISON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E – MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Trotwood-Madison City School District
Montgomery County
3594 North Snyder Road
Trotwood, Ohio 45426

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Trotwood-Madison City School District, Montgomery County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 20, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

June 20, 2018



Dave Yost • Auditor of State

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

Trotwood-Madison City School District
Montgomery County
3594 North Snyder Road
Trotwood, Ohio 45426

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Trotwood-Madison City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Trotwood-Madison City 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 District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Special Education Cluster

As described in finding 2017-001 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applicable to its CFDA 84.027/84.173 Special Education Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

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Qualified Opinion on Special Education Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster* paragraph, Trotwood-Madison City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster program for the year ended June 30, 2017.

The District's response to our noncompliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Unmodified Opinion on the Other Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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 material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2017-001.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Trotwood-Madison City School District
Montgomery County
Independent Auditor's Report on Compliance with Requirements Applicable
To Each Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 3

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

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Dave Yost
Auditor of State
Columbus, Ohio

June 20, 2018

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**TROTWOOD – MADISON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Material Weakness and Noncompliance

Finding Number	2017-001		
CFDA Title and Number	Special Education Cluster – CFDA #84.027 / 84.173		
Federal Award Identification Number / Year	H027A150111 / H173A150119 / 2016 and 2017		
Federal Agency	U.S. Department of Education		
Compliance Requirement	Cash Management		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	

Under the authority of **2 CFR § 3474.1** and except as otherwise provided by this section, the Department of Education adopted the Office of Management and Budget (OMB) Guidance in **2 CFR part 200**. Thus, this part gives regulatory effect to the OMB guidance and supplements the guidance as needed for the Department. **2 CFR § 200.305(b)** states, in part, that for non-Federal entities other than states, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

2 CFR § 200.305(b)(1) states the non-Federal entity must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this Part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.

2 CFR § 200.305(b)(2)(ii) states that Non-Federal entities must be authorized to submit requests for advance payments and reimbursements at least monthly when electronic fund transfers are not used, and as often as they like when electronic transfers are used, in accordance with the provisions of the Electronic Fund Transfer Act (15 U.S.C. 1693-1693r).

The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity. Therefore, when requesting advance funds, non-Federal entities must now liquidate cash advances within five business days after receiving the funds. To help prevent districts from running a deficit in funds due to the five-day liquidation rule and to also comply with Uniform Guidance, multiple advances can now be requested in a one month period.

Advances should only be requested to cover expenses that are ready to be paid. Advances can be requested to cover payroll expenses and invoices that have been received and will be paid within five business days of receiving grant funds, according to requirements established by the Ohio Department of Education (ODE). Advances should not be requested for encumbrances in which services and invoices have not been received unless you are certain that you will receive and pay the invoice within these established guidelines.

**Finding 2017-001
(Continued)**

During fiscal year 2017, the District failed to expend funds within the required time frame of five business days for two out of 18 Special Education program receipts, ranging from 17 to 23 days.

During fiscal year 2017, the District also failed to properly verify the cash balance on hand information included on the project cash requests was accurate and complete for two out of 18 Special Education receipts.

The District should implement procedures to verify that all receipts of federal monies are expended within the required time frame as outlined in the grant agreement. Failure to do so could result in noncompliance with Federal grant agreements, an excess accumulation of funds in which interest could be earned and potentially exceed \$500, and loss of future grant funding.

Officials' Response:

The amount of money allocated for the 2017 Special Education Cluster grant was \$608,244.75. These two combined grants are the second largest that the District receives with the exception of the Title I grant. The practice of asking for money in advance was stopped due to the Ohio Department of Education (ODE) requirement to liquidate any amounts requested within 5 days of receipt. I researched all 9 requests for reimbursements and there was not one that had an advance.

However, it was discovered that several reports that were ran had the totals for both FY16 and FY17 and not just FY17. Therefore the Project Cash Request (PCR) for FY17 had overstated expenditures. This would then be considered an advance of monies.

The District will take extra care to make sure the correct reports are run in order to complete the various PCR's.

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TROTWOOD-MADISON CITY SCHOOL DISTRICT

Our Mission Is 100% Student Success!

**Trotwood-Madison
Board of Education**

Denise Moore
President

Vanessa Jeter-Freeman
Vice-President

Myra Bozeman

Norman Searce III

Tyrone Olverson
Interim Superintendent

Janice D. Allen
Treasurer/CFO

**Trotwood-Madison
Early Learning Center**
4400 North Union Road
Trotwood, Ohio 45426
(937) 854-4511

**Madison Park
Elementary**
301 South Broadway
Trotwood, Ohio 45426
(937) 854-4456

**Westbrooke Village
Elementary**
6500 Westford Road
Trotwood, Ohio 45426
(937) 854-3196

**Trotwood-Madison
Middle School**
4420 North Union Road
Trotwood, Ohio 45426
(937) 854-0017

**Trotwood-Madison
High School**
4440 North Union Road
Trotwood, Ohio 45426
(937) 854-0878

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	The District had errors in the financial statements that required adjustment.	Partially Corrected; re-issued as Management Letter comment	For FY 2017, there were no errors in the financial statements that required adjustments. Items put in the management letter are deemed insignificant and will be addressed.



TROTWOOD-MADISON CITY SCHOOL DISTRICT

Our Mission Is 100% Student Success!

**Trotwood-Madison
Board of Education**

Denise Moore
President

Vanessa Jeter-Freeman
Vice-President

Myra Bozeman

Norman Scearce III

Tyrone Olverson
Interim Superintendent

Janice D. Allen
Treasurer/CFO

**Trotwood-Madison
Early Learning Center**
4400 North Union Road
Trotwood, Ohio 45426
(937) 854-4511

**Madison Park
Elementary**
301 South Broadway
Trotwood, Ohio 45426
(937) 854-4456

**Westbrooke Village
Elementary**
6500 Westford Road
Trotwood, Ohio 45426
(937) 854-3196

**Trotwood-Madison
Middle School**
4420 North Union Road
Trotwood, Ohio 45426
(937) 854-0017

**Trotwood-Madison
High School**
4440 North Union Road
Trotwood, Ohio 45426
(937) 854-0878

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The District will implement procedures to verify that all receipts of federal monies are expended within the required timeframe as outlined in the grant agreement.	June 19, 2018	Janice Allen, Treasurer



Dave Yost • Auditor of State

TROTWOOD – MADISON CITY SCHOOL DISTRICT

MONTGOMERY 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
AUGUST 14, 2018**