

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016***

**NICOLE SPRIGGS, TREASURER**





# Dave Yost • Auditor of State

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

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

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

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

Dave Yost  
Auditor of State

February 13, 2017

**This page intentionally left blank.**

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

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	5 - 15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	16 - 17
Statement of Activities .....	18 - 19
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	22 - 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP) and Actual - General Fund .....	25 - 26
Statement of Fund Net Position - Proprietary Funds.....	27
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds .....	28
Statement of Cash Flows - Proprietary Funds .....	29
Statement of Fiduciary Net Position - Fiduciary Funds .....	30
Notes to the Basic Financial Statements.....	31 - 73
Required Supplementary Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio .....	74
State Teachers Retirement System (STRS) of Ohio .....	75
Schedule of School District Contributions:	
School Employees Retirement System (SERS) of Ohio .....	76
State Teachers Retirement System (STRS) of Ohio .....	77
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	78
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	79 - 80
Independent Auditor’s Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance.....	81 - 82
Schedule of Findings <i>Uniform Guidance 2 CFR § 200.515</i> .....	83

**This page intentionally left blank.**



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

Independent Auditor's Report

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

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Midview Local School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, Lorain County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the Midview Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Midview Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 16, 2016



THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

Our discussion and analysis of the Midview Local School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- In total, net position increased \$4,255,288. Net position of governmental activities increased \$4,461,600 from 2015 net position, while the net position of business-type activities decreased \$206,312 from 2015 net position.
- General revenues accounted for \$32,292,179 while program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$6,014,149 of the total revenue of \$38,306,328.
- The District had \$32,844,541 in expenses related to governmental activities; only \$5,015,243 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and unrestricted grants and entitlements), net of transfers, and program revenues were adequate to provide for these programs resulting in an increase of net position from a balance of \$(8,854,721) to \$(4,393,121).
- The District had \$1,206,499 in expenses related to business-type activities; a total of \$998,906 was offset by program specific charges for services, grants, and contributions. The District also had investment income of \$1,281 in the current year.

**Using these Basic Financial Statements**

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

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

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

**Reporting the District as a Whole**

*The Statement of Net Position and Statement of Activities*

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

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

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

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

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

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

Our analysis of the District's major governmental funds begins on page 20. Some funds are required to be established by State Statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, governmental, proprietary, and fiduciary, use different accounting approaches as further described in the notes to the basic financial statements.

***Governmental Funds***

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

***Proprietary Funds***

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

***Fiduciary Funds***

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

**The District as a Whole**

The Statement of Net Position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position for 2016 and 2015.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

**Table 1  
Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 31,151,942	\$ 26,532,247	\$ 223,522	\$ 353,225	\$ 31,375,464	\$ 26,885,472
Restricted assets	2,247,955	1,980,960	-	-	2,247,955	1,980,960
Capital assets, net	<u>41,197,242</u>	<u>43,485,838</u>	<u>255,135</u>	<u>288,769</u>	<u>41,452,377</u>	<u>43,774,607</u>
Total assets	<u>74,597,139</u>	<u>71,999,045</u>	<u>478,657</u>	<u>641,994</u>	<u>75,075,796</u>	<u>72,641,039</u>
Deferred outflows of resources:						
Deferred charge on refunding	866,836	924,625	-	-	866,836	924,625
Pension	<u>3,878,615</u>	<u>2,494,331</u>	<u>64,248</u>	<u>49,322</u>	<u>3,942,863</u>	<u>2,543,653</u>
Total deferred outflows of resources	<u>4,745,451</u>	<u>3,418,956</u>	<u>64,248</u>	<u>49,322</u>	<u>4,809,699</u>	<u>3,468,278</u>
Current liabilities	3,426,905	3,378,470	81,257	77,981	3,508,162	3,456,451
Long-term liabilities:						
Due within one year	1,616,038	1,556,467	24,204	13,834	1,640,242	1,570,301
Other long-term items	21,913,808	23,143,944	28,766	36,794	21,942,574	23,180,738
Net pension liability	<u>38,983,894</u>	<u>35,359,671</u>	<u>695,498</u>	<u>582,128</u>	<u>39,679,392</u>	<u>35,941,799</u>
Total liabilities	<u>65,940,645</u>	<u>63,438,552</u>	<u>829,725</u>	<u>710,737</u>	<u>66,770,370</u>	<u>64,149,289</u>
Deferred inflows of resources:						
Property taxes	14,326,967	14,431,551	-	-	14,326,967	14,431,551
Pension	<u>3,468,099</u>	<u>6,402,619</u>	<u>33,394</u>	<u>94,481</u>	<u>3,501,493</u>	<u>6,497,100</u>
Total deferred inflows of resources	<u>17,795,066</u>	<u>20,834,170</u>	<u>33,394</u>	<u>94,481</u>	<u>17,828,460</u>	<u>20,928,651</u>
Net investment in capital assets	21,582,936	22,766,502	255,135	288,769	21,838,071	23,055,271
Restricted for:						
Capital projects	3,448,216	1,451,118	-	-	3,448,216	1,451,118
Debt service	5,400	5,400	-	-	5,400	5,400
Other purposes	1,681,458	1,502,269	-	-	1,681,458	1,502,269
Unrestricted	<u>(31,111,131)</u>	<u>(34,580,010)</u>	<u>(575,349)</u>	<u>(402,671)</u>	<u>(31,686,480)</u>	<u>(34,982,681)</u>
Total net position	\$ <u>(4,393,121)</u>	\$ <u>(8,854,721)</u>	\$ <u>(320,214)</u>	\$ <u>(113,902)</u>	\$ <u>(4,713,335)</u>	\$ <u>(8,968,623)</u>

The net pension liability (NPL) is the largest liability reported by the District at June 30, 2016 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the District, total liabilities and deferred inflows of resources exceed total assets and deferred outflows of resources by \$4,713,335 at the close of the most recent fiscal year. The main reason for the deficit net position is a result of the District recording the activity related to GASB 68. During fiscal year 2016, the District's net position improved \$4,255,288. As of June 30, 2016, there is no expectation that the District will be required to increase pension funding to cover the net pension liability.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

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

Total assets and deferred outflows of resources increased by \$3,776,178 from 2015 to 2016, while the District's total liabilities and deferred inflows of resources decreased by \$479,110. The main sources for the increase in assets and deferred outflows are related to an increase in cash and cash equivalents and deferred outflows for pension offset by a decrease in capital assets, net. The increase in cash and cash equivalents is related to a new levy passed by the District. The increase in deferred outflows for pension relates to the District recording its proportionate share of the activity at the pension system level. Capital assets, net decreased as depreciation exceeded capital purchases during the fiscal year.

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



**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

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

**Table 2  
Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,711,048	\$ 3,694,611	\$ 378,949	\$ 434,675	\$ 4,089,997	\$ 4,129,286
Operating grants and contributions	1,304,195	1,003,118	619,957	608,727	1,924,152	1,611,845
Capital grants and contributions	-	45,042	-	-	-	45,042
Total program revenues	<u>5,015,243</u>	<u>4,742,771</u>	<u>998,906</u>	<u>1,043,402</u>	<u>6,014,149</u>	<u>5,786,173</u>
General revenues:						
Property taxes	16,752,874	16,108,497	-	-	16,752,874	16,108,497
Grants and entitlements	15,272,357	14,333,136	-	-	15,272,357	14,333,136
Investment earnings	23,778	5,401	1,281	139	25,059	5,540
Other	241,889	489,744	-	-	241,889	489,744
Total general revenues	<u>32,290,898</u>	<u>30,936,778</u>	<u>1,281</u>	<u>139</u>	<u>32,292,179</u>	<u>30,936,917</u>
Total revenues	<u>37,306,141</u>	<u>35,679,549</u>	<u>1,000,187</u>	<u>1,043,541</u>	<u>38,306,328</u>	<u>36,723,090</u>
Expenses:						
Program expenses:						
Instruction:						
Regular	16,575,418	16,298,369	-	-	16,575,418	16,298,369
Special	3,032,742	3,459,507	-	-	3,032,742	3,459,507
Vocational	168,765	161,626	-	-	168,765	161,626
Other	141,056	216,132	-	-	141,056	216,132
Support services:						
Pupil	1,322,980	1,197,473	-	-	1,322,980	1,197,473
Instructional staff	1,329,032	1,231,301	-	-	1,329,032	1,231,301
Board of education	237,828	223,635	-	-	237,828	223,635
Administration	1,954,866	1,946,798	-	-	1,954,866	1,946,798
Fiscal	794,976	757,582	-	-	794,976	757,582
Business	6,651	1,425	-	-	6,651	1,425
Operation and maintenance - plant	3,485,020	3,515,678	-	-	3,485,020	3,515,678
Pupil transportation	1,904,351	1,626,913	-	-	1,904,351	1,626,913
Central	46,719	37,048	-	-	46,719	37,048
Operation of non - instructional services:						
Community services	15,041	31,660	-	-	15,041	31,660
Extracurricular activities	1,010,395	898,061	-	-	1,010,395	898,061
Interest and fiscal charges	818,701	866,874	-	-	818,701	866,874
Food service	-	-	1,206,499	1,083,396	1,206,499	1,083,396
Total expenses	<u>32,844,541</u>	<u>32,470,082</u>	<u>1,206,499</u>	<u>1,083,396</u>	<u>34,051,040</u>	<u>33,553,478</u>
Change in net position	4,461,600	3,209,467	(206,312)	(39,855)	4,255,288	3,169,612
Net position at beginning of year	<u>(8,854,721)</u>	<u>(12,064,188)</u>	<u>(113,902)</u>	<u>(74,047)</u>	<u>(8,968,623)</u>	<u>(12,138,235)</u>
Net position at end of year	\$ <u>(4,393,121)</u>	\$ <u>(8,854,721)</u>	\$ <u>(320,214)</u>	\$ <u>(113,902)</u>	\$ <u>(4,713,335)</u>	\$ <u>(8,968,623)</u>

***Effects of GASB 68***

Under GASB 68, pension expense represents additional amounts earned based on a proportionate share of the pension fund liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 68, the pension expense for 2016 is \$1,695,732, while in 2015 pension expense was \$1,729,476. The District was required to contribute \$2,352,956 and \$2,205,122 during 2016 and 2015, respectively.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

***Governmental Activities***

Net position of the District's governmental activities increased \$4,461,600. Total governmental expenses of \$32,844,541 were offset by program revenues of \$5,015,243 and general revenues of \$32,290,898. Program revenues supported 15.27% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements not restricted to specific purposes. These two revenue sources represent 85.84% of total governmental revenue. Property taxes support 51.01% of total expenses while grants and entitlements not restricted to specific purposes supported 46.50% of total expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Table 3  
Total Cost of Program Services**

	Governmental Activities			
	<u>Total Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2016</u>	<u>Net Cost of Services 2015</u>
Program expenses:				
Instruction:				
Regular	\$ 16,575,418	\$ 16,298,369	\$ 13,004,786	\$ 13,278,565
Special	3,032,742	3,459,507	2,421,896	2,826,195
Vocational	168,765	161,626	167,575	35,603
Other	141,056	216,132	141,056	216,132
Support services:				
Pupil	1,322,980	1,197,473	1,322,980	1,197,473
Instructional staff	1,329,032	1,231,301	1,245,240	1,146,828
Board of education	237,828	223,635	237,828	223,635
Administration	1,954,866	1,946,798	1,954,866	1,946,798
Fiscal	794,976	757,582	794,976	757,582
Business	6,651	1,425	6,651	1,425
Operations and maintenance - plant	3,485,020	3,515,678	3,485,020	3,470,636
Pupil transportation	1,904,351	1,626,913	1,904,351	1,626,913
Central	46,719	37,048	46,719	37,048
Operation of non - instructional services:				
Community services	15,041	31,660	15,041	31,660
Extracurricular activities	1,010,395	898,061	261,612	63,944
Interest and fiscal charges	818,701	866,874	818,701	866,874
Total expenses	<u>\$ 32,844,541</u>	<u>\$ 32,470,082</u>	<u>\$ 27,829,298</u>	<u>\$ 27,727,311</u>

The dependence upon general revenues during fiscal year 2016 for governmental activities is apparent, as 79.00% of 2016 instruction activities are supported by property taxes, grants and entitlements, investment earnings, and other general revenues. The District's taxpayers, as a whole, are the primary support for District's students.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

***Business-Type Activities***

Business-type activities are comprised of the food service operations. The food service operations had expenses of \$1,206,499 and revenues of \$1,000,187. This resulted in a decrease to net position for the fiscal year of \$206,312. Revenues were mostly consistent with the prior year while expenses were up as the Company hired a management company to run the food service department in addition to the effects of GASB 68, which resulted in increased expenses. Management continually assesses the performance of the food service operations to ensure that it runs efficiently.

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$14,482,071, which is more than last year's total of \$9,136,999. This increase in total fund balance is explained by increase in all three reporting categories, with the general fund having the largest increase. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Fund Balance</u> <u>June 30, 2015</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 7,599,174	\$ 4,402,511	\$ 3,196,663
Permanent improvement	4,260,199	2,334,063	1,926,136
Other governmental	<u>2,622,698</u>	<u>2,400,425</u>	<u>222,273</u>
Total	\$ <u>14,482,071</u>	\$ <u>9,136,999</u>	\$ <u>5,345,072</u>

***General Fund***

The District's general fund balance increased \$3,196,663 and the main driver of this increase was the increase in intergovernmental revenue which was related to revenue in lieu of taxes in addition to a decrease in special education instruction which was related to preschool costs in 2015 that did not occur in 2016.

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

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Property taxes	\$ 15,184,787	\$ 14,284,071	6.31%
Investment earnings	23,315	5,399	331.84
Intergovernmental	15,096,284	13,914,097	8.50
Tuition	2,962,265	2,734,826	8.32
Other revenue	<u>737,435</u>	<u>857,435</u>	(14.00)
Total	\$ <u>34,004,086</u>	\$ <u>31,795,828</u>	

Property taxes revenue in the general fund increased during the current year related to increase collections as well as an increase in the taxes available for advances at June 30, 2016. Intergovernmental revenue is up as discussed above.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

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

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Expenditures by Function:			
Instruction	\$ 17,864,209	\$ 18,225,883	(1.98)%
Support services	9,334,055	9,303,510	0.33
Operation of non-instructional services	5,599	5,250	6.65
Facilities acquisition and construction	6,541	31,605	(79.30)
Extracurricular activities	759,958	710,530	6.96
Debt service	<u>66,758</u>	<u>72,837</u>	(8.35)
Total	<u>\$ 28,037,120</u>	<u>\$ 28,349,615</u>	

Overall, general fund expenditures decreased \$312,495 from the prior year due to decreases in instruction costs, with the main driver special education instruction.

### **General Fund Budget Information**

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

For the general fund, final budget basis revenue, including other financing sources was \$685,049 greater than the original budget estimate of \$32,547,703. This increase was mainly from an increase in budgeted intergovernmental revenues. Actual general fund revenues, including other financing sources, were \$33,504,389, or \$271,637 more than budgeted. Final budgeted expenditures, including other financing uses, were \$1,100,000 greater than the original budget estimate of \$30,929,481. Actual general fund expenditures, including other financing uses, were \$31,122,709 or \$906,772 less than budgeted.

### **Capital Assets**

The District has \$41,452,377 invested in capital assets net of depreciation, with \$41,197,242 attributed to governmental activities. Acquisitions for governmental activities totaled \$351,528 and depreciation was \$2,317,811. The major acquisitions during the fiscal year related to the purchase of two new buses and the purchase of loader for maintenance. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 10).

### **Debt**

During the year ended June 30, 2013, the District advance refunded \$23,340,000 in outstanding certificates of participation by issuing refunding certificates of participation in the amount of \$22,595,000. At June 30, 2016, the District still had \$20,160,000 in outstanding refunding certificates of participation and paid \$1,015,000 in principal on the certificates of participation during the fiscal year. The refunded certificates of participation have been fully redeemed as of June 30, 2016.

At June 30, 2016, the District had \$1,860,000 in outstanding general obligation bonds. The District paid \$75,000 in principal on the general obligation bonds outstanding during the fiscal year.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

During the year ended June 30, 2016, the District made the final payment of \$68,000 on the school facilities construction and improvement notes.

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

**Current Financial Related Activities**

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

Of these revenue sources, the State funding remained flat for fiscal year 2016. Furthermore, no increase is expected in fiscal year 2017 due to the fact that the district is on the Transitional Aide Guarantee. The future of this "Guarantee" beyond fiscal year 2017 is not known at this time and is based on the State's bi-annual budget. In response to the limited revenue and increasing costs, the District placed a levy on the February 2013 ballot which the community approved for a 10 year period. The District is very appreciative of the community's support and is dedicated to stretching these funds for years into the future.

In the expenditure areas, the district's operating expenses for fiscal year 2016 did not exceed the operating revenue of fiscal year 2016. This is a trend expected to continue for fiscal year 2017. The administration is committed to searching for additional ways to save money, increasing efficiencies in the daily operations of the district, and pursuing private/public grants opportunities. The District will continue to be good stewards of the resources provided by our taxpayers.

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

**Contacting the District's Financial Management**

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

# Midview Local School District

## Statement of Net Position

June 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 13,407,636	\$ 194,033	\$ 13,601,669
Cash with fiscal agents	2,700	-	2,700
Accounts receivable	157,311	-	157,311
Intergovernmental receivable	262,444	21,008	283,452
Prepaid items	26,275	-	26,275
Materials and supplies inventory	168,350	8,481	176,831
Property taxes receivable	17,127,226	-	17,127,226
<b>Restricted assets:</b>			
Cash and investments	2,247,955	-	2,247,955
Nondepreciable capital assets	2,236,608	-	2,236,608
Depreciable capital assets, net	38,960,634	255,135	39,215,769
Total assets	<u>74,597,139</u>	<u>478,657</u>	<u>75,075,796</u>
<b>Deferred outflows of resources:</b>			
Deferred charge on refunding	866,836	-	866,836
<b>Pensions:</b>			
SERS	621,778	64,248	686,026
STRS	<u>3,256,837</u>	<u>-</u>	<u>3,256,837</u>
Total deferred outflows of resources	<u>4,745,451</u>	<u>64,248</u>	<u>4,809,699</u>
<b>Liabilities:</b>			
Accounts payable	334,141	13,186	347,327
Accrued wages and benefits	2,590,570	54,283	2,644,853
Accrued pension	343,684	13,788	357,472
Accrued interest payable	118,440	-	118,440
Matured compensated absences	40,070	-	40,070
<b>Long-term liabilities:</b>			
Due within one year	1,616,038	24,204	1,640,242
Due in more than one year:			
Net pension liability:			
SERS	6,730,901	695,498	7,426,399
STRS	32,252,993	-	32,252,993
Other amounts due in more than one year	<u>21,913,808</u>	<u>28,766</u>	<u>21,942,574</u>
Total liabilities	<u>65,940,645</u>	<u>829,725</u>	<u>66,770,370</u>

(continued)

# Midview Local School District

## Statement of Net Position (continued)

June 30, 2016

---

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Deferred inflows of resources:			
Property taxes	14,326,967	-	14,326,967
Pension:			
SERS	323,179	33,394	356,573
STRS	<u>3,144,920</u>	<u>-</u>	<u>3,144,920</u>
Total deferred inflows of resources	<u>17,795,066</u>	<u>33,394</u>	<u>17,828,460</u>
Net position:			
Net investment in capital assets	21,582,936	255,135	21,838,071
Restricted for:			
Capital projects	3,448,216	-	3,448,216
Debt service	5,400	-	5,400
Other purposes	1,681,458	-	1,681,458
Unrestricted	<u>(31,111,131)</u>	<u>(575,349)</u>	<u>(31,686,480)</u>
Total net position	<u>\$ (4,393,121)</u>	<u>\$ (320,214)</u>	<u>\$ (4,713,335)</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Midview Local School District

## Statement of Activities

**For the Fiscal Year Ended June 30, 2016**

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Instruction:			
Regular education	\$ 16,575,418	\$ 2,936,079	\$ 634,553
Special education	3,032,742	24,996	585,850
Vocational education	168,765	1,190	-
Other	141,056	-	-
Support services:			
Pupils	1,322,980	-	-
Instructional staff	1,329,032	-	83,792
Board of education	237,828	-	-
Administration	1,954,866	-	-
Fiscal services	794,976	-	-
Business	6,651	-	-
Operations and maintenance - plant	3,485,020	-	-
Pupil transportation	1,904,351	-	-
Central	46,719	-	-
Operation of non - instructional services:			
Community services	15,041	-	-
Extracurricular activities	1,010,395	748,783	-
Interest and fiscal charges	818,701	-	-
Total governmental activities	32,844,541	3,711,048	1,304,195
Business-type activities:			
Food service	1,206,499	378,949	619,957
Totals	\$ 34,051,040	\$ 4,089,997	\$ 1,924,152

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

Change in net position

Net position at beginning of year

Net position at end of year



Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business - Type Activities	Total
\$ (13,004,786)	\$ -	\$ (13,004,786)
(2,421,896)	-	(2,421,896)
(167,575)	-	(167,575)
(141,056)	-	(141,056)
(1,322,980)	-	(1,322,980)
(1,245,240)	-	(1,245,240)
(237,828)	-	(237,828)
(1,954,866)	-	(1,954,866)
(794,976)	-	(794,976)
(6,651)	-	(6,651)
(3,485,020)	-	(3,485,020)
(1,904,351)	-	(1,904,351)
(46,719)	-	(46,719)
(15,041)	-	(15,041)
(261,612)	-	(261,612)
<u>(818,701)</u>	<u>-</u>	<u>(818,701)</u>
(27,829,298)	-	(27,829,298)
-	(207,593)	(207,593)
<u>(27,829,298)</u>	<u>(207,593)</u>	<u>(28,036,891)</u>
15,016,483	-	15,016,483
1,491,733	-	1,491,733
244,658	-	244,658
15,272,357	-	15,272,357
23,778	1,281	25,059
<u>241,889</u>	<u>-</u>	<u>241,889</u>
<u>32,290,898</u>	<u>1,281</u>	<u>32,292,179</u>
4,461,600	(206,312)	4,255,288
<u>(8,854,721)</u>	<u>(113,902)</u>	<u>(8,968,623)</u>
\$ <u>(4,393,121)</u>	\$ <u>(320,214)</u>	\$ <u>(4,713,335)</u>

# Midview Local School District

## Balance Sheet – Governmental Funds

**June 30, 2016**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 7,230,444	\$ 4,101,262	\$ 1,726,161	\$ 13,057,867
Cash with fiscal agents	-	-	2,700	2,700
<b>Receivables:</b>				
Property taxes receivable	15,606,802	1,520,424	-	17,127,226
Intergovernmental receivable	92,140	-	170,304	262,444
Interfund receivable	98,500	-	-	98,500
Accounts receivable	37,311	-	120,000	157,311
Materials and supplies inventory	168,350	-	-	168,350
Prepaid items	26,275	-	-	26,275
<b>Restricted assets:</b>				
Restricted cash and investments	<u>1,159,576</u>	<u>-</u>	<u>1,088,379</u>	<u>2,247,955</u>
Total assets	<u>\$ 24,419,398</u>	<u>\$ 5,621,686</u>	<u>\$ 3,107,544</u>	<u>\$ 33,148,628</u>
<b>Liabilities, deferred inflows of resources and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 295,377	\$ 31,504	\$ 7,260	\$ 334,141
Accrued wages and benefits	2,451,722	-	138,848	2,590,570
Accrued pension	323,749	-	19,935	343,684
Interfund payable	-	-	98,500	98,500
Matured compensated absences	<u>40,070</u>	<u>-</u>	<u>-</u>	<u>40,070</u>
Total liabilities	<u>3,110,918</u>	<u>31,504</u>	<u>264,543</u>	<u>3,406,965</u>
<b>Deferred inflows of resources:</b>				
Property taxes	13,061,397	1,265,570	-	14,326,967
Unavailable revenue	<u>647,909</u>	<u>64,413</u>	<u>220,303</u>	<u>932,625</u>
Total deferred inflows of resources	<u>13,709,306</u>	<u>1,329,983</u>	<u>220,303</u>	<u>15,259,592</u>
<b>Fund balances:</b>				
Nonspendable	194,625	-	-	194,625
Restricted	1,170,576	4,260,199	2,800,698	8,231,473
Committed	103,113	-	-	103,113
Assigned	275,103	-	13,665	288,768
Unassigned (deficit)	<u>5,855,757</u>	<u>-</u>	<u>(191,665)</u>	<u>5,664,092</u>
Total fund balances	<u>7,599,174</u>	<u>4,260,199</u>	<u>2,622,698</u>	<u>14,482,071</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,419,398</u>	<u>\$ 5,621,686</u>	<u>\$ 3,107,544</u>	<u>\$ 33,148,628</u>

# Midview Local School District

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

**June 30, 2016**

---

Total Governmental Funds Balances \$ 14,482,071

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

Capital assets, net used in governmental activities are not financial resources and therefore are not reported in the funds. 41,197,242

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

Property taxes	\$ 712,322	
Intergovernmental	170,303	
Miscellaneous	<u>50,000</u>	
Total		932,625

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (118,440)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Position. 349,769

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

Certificates of participation	(20,160,000)	
General obligation bonds	(1,860,000)	
Premium on certifications of participation	(243,651)	
Loss on refunding	866,836	
Capital leases	(77,491)	
Compensated absences	<u>(1,188,704)</u>	
Total		(22,663,010)

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

Deferred outflows – pension	3,878,615	
Deferred inflows – pension	(3,468,099)	
Net pension liability	<u>(38,983,894)</u>	
		<u>(38,573,378)</u>

Net position of governmental activities \$ (4,393,121)

# Midview Local School District

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

**For the Fiscal Year Ended June 30, 2016**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and other taxes	\$ 15,184,787	\$ 1,491,733	\$ 244,658	\$ 16,921,178
Intergovernmental	15,096,284	228,524	1,072,403	16,397,211
Investment earnings	23,315	-	463	23,778
Extracurricular activities	342,339	-	186,467	528,806
Tuition	2,962,265	-	-	2,962,265
Classroom materials and fees	217,721	-	-	217,721
Grants	-	-	144,499	144,499
Miscellaneous	177,375	190,761	105,288	473,424
Total revenues	<u>34,004,086</u>	<u>1,911,018</u>	<u>1,753,778</u>	<u>37,668,882</u>
Expenditures:				
Instruction:				
Regular education	15,044,397	120,442	559,280	15,724,119
Special education	2,576,261	-	511,290	3,087,551
Vocational education	169,895	-	-	169,895
Other	73,656	-	-	73,656
Support services:				
Pupils	1,310,605	-	40,064	1,350,669
Instructional staff	884,230	277,210	37,245	1,198,685
Board of education	236,888	1,500	-	238,388
Administration	1,972,360	-	110,930	2,083,290
Fiscal services	771,814	30,586	-	802,400
Business	6,651	-	-	6,651
Operations and maintenance - plant	2,430,244	216,039	1,368	2,647,651
Pupil transportation	1,684,544	194,971	-	1,879,515
Central	36,719	-	10,000	46,719
Operating on non-instructional services:				
Community services	5,599	-	-	5,599
Extracurricular activities:				
Academic and subject oriented	44,905	-	-	44,905
Sports oriented	546,033	-	174,457	720,490
Co-curricular	169,020	-	-	169,020
Capital outlay:				
Site improvement services	6,541	-	15,005	21,546
Architecture and engineering services	-	22,752	-	22,752
Building acquisition and construction	-	6,914	-	6,914
Other facilities acquisition and construction	-	-	41,959	41,959
Debt services:				
Principal	63,576	1,090,000	68,000	1,221,576
Interest and fiscal charges	3,182	779,024	2,210	784,416
Total expenditures	<u>28,037,120</u>	<u>2,739,438</u>	<u>1,571,808</u>	<u>32,348,366</u>

(continued)

# Midview Local School District

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

**For the Fiscal Year Ended June 30, 2016**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Total excess of revenues over (under) expenditures	<u>5,966,966</u>	<u>(828,420)</u>	<u>181,970</u>	<u>5,320,516</u>
Other financing sources (uses):				
Transfers - in	-	2,730,000	40,303	2,770,303
Sale of capital assets	-	24,556	-	24,556
Transfers - out	<u>(2,770,303)</u>	<u>-</u>	<u>-</u>	<u>(2,770,303)</u>
Total other financing sources (uses)	<u>(2,770,303)</u>	<u>2,754,556</u>	<u>40,303</u>	<u>24,556</u>
Net change in fund balance	3,196,663	1,926,136	222,273	5,345,072
Fund balance at beginning of year	<u>4,402,511</u>	<u>2,334,063</u>	<u>2,400,425</u>	<u>9,136,999</u>
Fund balance at end of year	\$ <u><u>7,599,174</u></u>	\$ <u><u>4,260,199</u></u>	\$ <u><u>2,622,698</u></u>	\$ <u><u>14,482,071</u></u>

# Midview Local School District

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

### For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 5,345,072

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

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

Capital outlay	\$	351,528	
Depreciation		<u>(2,317,811)</u>	
Total			(1,966,283)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. (322,313)

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

Delinquent property and other taxes		(168,304)	
Intergovernmental		16,092	
Miscellaneous		<u>(210,529)</u>	
Total			(362,741)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,221,576

Internal Service Funds are used by management to charge to costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the Internal Service Fund is reported with Governmental Activities. (46,753)

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		(67,254)	
Amortization of premium		16,243	
Amortization of deferred loss on refunding		(57,789)	
Accrued interest on bonds		<u>7,261</u>	
Total			(101,539)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 2,299,907

Except for amounts reported as deferred outflows/inflows, changes in net pension liability are reported as pension expense in the Statement of Activities. (1,605,326)

*Change in Net Position of Governmental Activities* \$ 4,461,600

# Midview Local School District

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

**For the Fiscal Year Ended June 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and other taxes	\$ 14,749,703	\$ 14,749,703	\$ 14,846,896	\$ 97,193
Intergovernmental	14,301,828	14,854,521	14,995,263	140,742
Investment earnings	22,101	22,956	23,173	217
Extracurricular activities	217,098	225,488	227,624	2,136
Tuition	2,822,766	2,931,852	2,959,630	27,778
Classroom materials and fees	207,653	215,678	217,721	2,043
Miscellaneous	155,254	161,254	162,782	1,528
Total revenues	<u>32,476,403</u>	<u>33,161,452</u>	<u>33,433,089</u>	<u>271,637</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular education	15,112,021	15,700,381	15,105,293	595,088
Special education	2,580,288	2,680,747	2,579,139	101,608
Vocational education	169,178	175,764	169,103	6,661
Other	139,698	145,137	139,636	5,501
<b>Supporting services:</b>				
Pupils	1,318,910	1,370,260	1,318,323	51,937
Instructional staff	906,672	941,972	906,269	35,703
Board of education	267,147	277,548	267,029	10,519
Administration	2,008,496	2,086,693	2,007,602	79,091
Fiscal services	792,471	823,325	792,119	31,206
Business	9,159	9,516	9,155	361
Operation and maintenance - plant	2,616,155	2,718,010	2,614,990	103,020
Pupil transportation	1,699,597	1,765,768	1,698,841	66,927
Central	40,341	41,912	40,323	1,589
Community services	3,297	3,425	3,295	130
<b>Extracurricular activities:</b>				
Academic and subject oriented	37,990	39,469	37,973	1,496
Sports oriented	480,799	499,518	480,585	18,933
Co-curricular	61,387	63,777	61,360	2,417
Capital outlay	9,874	10,259	9,871	388
Total expenditures	<u>28,253,480</u>	<u>29,353,481</u>	<u>28,240,906</u>	<u>1,112,575</u>
Excess revenues over (under) expenditures	<u>4,222,923</u>	<u>3,807,971</u>	<u>5,192,183</u>	<u>1,384,212</u>

(continued)

# Midview Local School District

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

**For the Fiscal Year Ended June 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Advances - in	71,300	71,300	71,300	-
Transfers - out	(2,576,000)	(2,576,000)	(2,783,303)	(207,303)
Advances - out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(98,500)</u>	<u>1,500</u>
Total other financing sources (uses)	<u>(2,604,700)</u>	<u>(2,604,700)</u>	<u>(2,810,503)</u>	<u>(205,803)</u>
Net change in fund balance	1,618,223	1,203,271	2,381,680	1,178,409
Fund balance at beginning of year	4,745,010	4,745,010	4,745,010	-
Prior year encumbrances appropriated	<u>529,484</u>	<u>529,484</u>	<u>529,484</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>6,892,717</u></u>	\$ <u><u>6,477,765</u></u>	\$ <u><u>7,656,174</u></u>	\$ <u><u>1,178,409</u></u>



# Midview Local School District

## Statement of Fund Net Position – Proprietary Funds

June 30, 2016

	Business-Type Activities	Governmental Activities
	Food Service	Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 194,033	\$ 349,769
Intergovernmental Receivable	21,008	-
Materials and supplies inventory	<u>8,481</u>	<u>-</u>
Total current assets	223,522	349,769
Non-current assets:		
Depreciable capital assets, net	<u>255,135</u>	<u>-</u>
Total assets	<u>478,657</u>	<u>349,769</u>
Deferred outflows of resources:		
Pension – SERS	<u>64,248</u>	<u>-</u>
Liabilities:		
Current liabilities:		
Accounts payable	13,186	-
Accrued wages and benefits	54,283	-
Accrued pension	13,788	-
Current portion of compensated absences	<u>24,204</u>	<u>-</u>
Total current liabilities	<u>105,461</u>	<u>-</u>
Long-term liabilities:		
Compensated absences	28,766	-
Net pension liability – SERS	<u>695,498</u>	<u>-</u>
Total long-term liabilities	<u>724,264</u>	<u>-</u>
Total liabilities	<u>829,725</u>	<u>-</u>
Deferred inflows of resources:		
Pension – SERS	<u>33,394</u>	<u>-</u>
Net position:		
Net investment in capital assets	255,135	-
Unrestricted	<u>(575,349)</u>	<u>349,769</u>
Total net position	<u>\$ (320,214)</u>	<u>\$ 349,769</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Midview Local School District

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

**For the Fiscal Year Ended June 30, 2016**

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Food Service</u>	<u>Internal Service Fund</u>
Operating revenues:		
Charges for services	\$ <u>378,949</u>	\$ <u>-</u>
Operating expenses:		
Salaries and wages	321,570	-
Fringe benefits	186,149	-
Contractual services	555,386	45,830
Materials and supplies	107,835	923
Other operating expenses	1,925	-
Depreciation expense	<u>31,137</u>	<u>-</u>
Total operating expenses	<u>1,204,002</u>	<u>46,753</u>
Operating loss	<u>(825,053)</u>	<u>(46,753)</u>
Non-operating revenues:		
Federal donated commodities	59,856	-
Investment earnings	1,281	-
Grant revenue	560,101	-
Loss on disposal of capital assets	(2,497)	-
Other non-operating revenue	<u>-</u>	<u>-</u>
Total non-operating revenues	<u>618,741</u>	<u>-</u>
Net loss	(206,312)	(46,753)
Total net position at beginning of year	<u>(113,902)</u>	<u>396,522</u>
Total net position at end of year	\$ <u><u>(320,214)</u></u>	\$ <u><u>349,769</u></u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Midview Local School District

## Statement of Cash Flows – Proprietary Funds

**For the Fiscal Year Ended June 30, 2016**

	Business-Type Activities	Governmental Activities
	Food Service	Internal Service Fund
<b>Increase (decrease) in cash and cash equivalents:</b>		
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 378,949	\$ -
Cash payments for contractual services	(555,386)	(45,830)
Cash payments for materials and supplies	(38,466)	(923)
Cash payments to employees for services	(324,534)	-
Cash payments for employee benefits	(153,383)	-
Cash payments for other operating expenses	(1,925)	-
<i>Net cash used for operating activities</i>	<u>(694,745)</u>	<u>(46,753)</u>
<b>Cash flows from non-capital financing activities:</b>		
Grants received	<u>539,093</u>	-
<i>Net cash provided by non-capital financing activities</i>	<u>539,093</u>	-
<b>Cash flows from investing activities:</b>		
Interest on investments	<u>1,281</u>	-
Net decrease in cash and cash equivalents	(154,371)	(46,753)
Cash and cash equivalents at beginning of year	<u>348,404</u>	<u>396,522</u>
Cash and cash equivalents at end of year	<u>\$ 194,033</u>	<u>\$ 349,769</u>
<b>Reconciliation of operating loss to net cash from operating activities:</b>		
Operating loss	\$ (825,053)	\$ (46,753)
Adjustments:		
Depreciation	31,137	-
Federal donated commodities	59,856	-
Changes in assets/liabilities:		
Increase in inventory	(3,660)	-
Increase in deferred outflows – pension	(5,032)	-
Increase in accounts payable	13,173	-
Decrease in accrued wages and benefits	(6,255)	-
Increase in accrued compensated absences	2,342	-
Increase in net pension liability	57,714	-
Decrease in deferred outflows – pension	(15,325)	-
Decrease in accrued pension	(3,642)	-
Total adjustments	<u>130,308</u>	<u>-</u>
<i>Net cash used for operating activities</i>	<u>\$ (694,745)</u>	<u>\$ (46,753)</u>

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

During the year, the food services fund received donated commodities of \$59,856.

# Midview Local School District

## Statement of Net Position – Fiduciary Funds

**June 30, 2016**

---

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 113,283
Taxes receivable	<u>508,583</u>
Total assets	\$ <u><u>621,866</u></u>
Liabilities and deferred inflows of resources:	
Liabilities:	
Due to others	\$ <u>219,856</u>
Total liabilities	<u>219,856</u>
Deferred inflows of resources:	
Property taxes	<u>402,010</u>
Total liabilities and deferred inflows of resources	\$ <u><u>621,866</u></u>

# Midview Local School District

## Notes to the Basic Financial Statements

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 1: Description of the School District and Reporting Entity**

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

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

The District currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 149 non-certified and 190 certified (including administrative) full-time and part-time employees to provide services to approximately 3,008 students in grades K through 12 and various community groups.

#### **Note 2: Summary of Significant Accounting Policies**

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

##### **A. Reporting Entity**

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

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### **A. Reporting Entity (continued)**

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

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

##### **B. Fund Accounting**

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

##### *Governmental Funds*

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

##### *General Fund*

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

##### *Permanent Improvement Fund*

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 2: Summary of Significant Accounting Policies (continued)

##### B. Fund Accounting (continued)

###### *Proprietary Funds*

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

###### *Enterprise Funds*

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

###### *Internal Service Funds*

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

###### *Fiduciary Funds*

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 2: Summary of Significant Accounting Policies (continued)

##### C. *Measurement Focus*

###### *Government-wide Financial Statements*

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

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

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

###### *Fund Financial Statements*

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

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



# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### **C. Measurement Focus (continued)**

###### *Fund Financial Statements (continued)*

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

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

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

##### **D. Basis of Accounting**

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

###### *Revenues - Exchange and Non-exchange Transactions*

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 2: Summary of Significant Accounting Policies (continued)

##### D. Basis of Accounting (continued)

###### *Revenues - Exchange and Non-exchange Transactions (continued)*

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

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

###### *Unearned Revenue*

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The District does not have any unearned revenue at June 30, 2016.

###### *Deferred Outflows/Inflows of Resources*

In addition to assets, the financial statements that report net position may include a section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows of resources for a deferred charge on refunding and for pension reported in the Statements of Net Position. The amount related to the proprietary funds is also reported in the fund financial statements. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11.

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 2: Summary of Significant Accounting Policies (continued)

##### *D. Basis of Accounting (continued)*

###### *Expenses/Expenditures*

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

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

##### *E. Budgetary Process*

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2016 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 15, the Board-adopted budget is filed with the Lorain County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2016.

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 2: Summary of Significant Accounting Policies (continued)

##### *E. Budgetary Process (continued)*

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which are the legal levels of budgetary control (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term inter-fund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control for a fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocate or increase the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2016.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

##### *F. Cash and Cash Equivalents*

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements. The District may also utilize an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as “restricted cash and investments” and represents deposits or investments in money market accounts. At June 30, 2016, there are no balances held with an escrow agent for retainage on construction contracts.

During fiscal year 2016, investments were limited to STAR Ohio (the State Treasury Asset Reserve of Ohio) and repurchase agreements. Except for nonparticipating contracts, investments are reported at fair value which is based on quoted market prices.

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### ***F. Cash and Cash Equivalents (continued)***

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

STAR Ohio, is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at 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 the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$23,315, which includes \$3,884 assigned from other District funds.

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

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

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

##### ***G. Inventory***

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 2: Summary of Significant Accounting Policies (continued)

##### *H. Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

##### *I. Restricted Assets*

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

##### *J. Capital Assets*

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

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

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 2: Summary of Significant Accounting Policies (continued)

##### ***K. Interfund Balances***

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

##### ***L. Compensated Absences***

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

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

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

##### ***M. Accrued Liabilities and Long-term Obligations***

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### ***N. Pensions***

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

##### ***O. Net Position***

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. As of June 30, 2016, net position restricted was \$5,135,074 in the Statement of Net Position, none of which were by enabling legislation.

##### ***P. Fund Balance***

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

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

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

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



# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### ***P. Fund Balance (continued)***

*Assigned:* Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education. Through the District's purchasing policy, the Board has given the Treasurer the authority to constrain monies for intended purposes.

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

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

##### ***Q. Operating Revenues and Expenses***

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

##### ***R. Interfund Activity***

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### *S. Estimates*

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

#### **Note 3: Change in Accounting Principles**

For fiscal year 2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement No. 82, *Pension Issues-an Amendment of GASB Statements No. 67, No. 68 and No. 73*.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the District's fiscal year 2016 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. These changes were incorporated in the District's fiscal year 2016 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 76 identifies in the context of the current governmental financial reporting environment - the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position.

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

#### Note 3: Change in Accounting Principles (continued)

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the District's fiscal year 2016 financial statements; however, there was no effect on beginning net position.

#### Note 4: Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable:				
Prepays	\$ 26,275	\$ -	\$ -	\$ 26,275
Inventory	<u>168,350</u>	<u>-</u>	<u>-</u>	<u>168,350</u>
Total nonspendable	<u>194,625</u>	<u>-</u>	<u>-</u>	<u>194,625</u>
Restricted for:				
Debt service payments	-	-	5,400	5,400
Community activities	-	-	206,916	206,916
Athletics	-	-	80,125	80,125
Capital improvements	1,159,576	4,260,199	2,416,128	7,835,903
Other purposes	<u>11,000</u>	<u>-</u>	<u>92,129</u>	<u>103,129</u>
Total restricted	<u>1,170,576</u>	<u>4,260,199</u>	<u>2,800,698</u>	<u>8,231,473</u>
Committed to:				
Other purposes	<u>103,113</u>	<u>-</u>	<u>-</u>	<u>103,113</u>
Assigned to:				
Capital improvements	-	-	13,665	13,665
Other purposes	<u>275,103</u>	<u>-</u>	<u>-</u>	<u>275,103</u>
Total assigned	<u>275,103</u>	<u>-</u>	<u>13,665</u>	<u>288,768</u>
Unassigned (deficit)	<u>5,855,757</u>	<u>-</u>	<u>(191,665)</u>	<u>5,664,092</u>
Total fund balance	\$ <u>7,599,174</u>	\$ <u>4,260,199</u>	\$ <u>2,622,698</u>	\$ <u>14,482,071</u>

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 5: Budgetary Basis of Accounting**

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

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

- (a) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
- (b) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP); and
- (c) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

	<u>Net Change In Fund Balance</u>
GAAP Basis	\$ 3,196,663
Net Adjustment for Revenue Accruals	(440,863)
Advances - in	71,300
Net Adjustment for Expenditure Accruals	176,332
Advances - out	(98,500)
Adjustment for Encumbrances	(573,725)
To reclassify the net change in fund balance for funds combined with the general fund for GASB 54	<u>50,473</u>
Budget Basis	\$ <u><u>2,381,680</u></u>

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 6: Deposits and Investments**

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

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

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 6: Deposits and Investments (continued)**

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

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

#### **Deposits**

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

At year-end, the carrying amount of the District's deposits was \$5,091,620 and the bank balance was \$5,210,666. Of the bank balance, \$2,865,937 was covered by Federal depository insurance and \$2,344,729 was collateralized with securities held by the pledging institution's trust department, not in the District's name.

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 6: Deposits and Investments (continued)

##### Investments

Investments are reported as fair value. As of June 30, 2016, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$ 8,608,987	Less than 6 months
Repurchase agreement	<u>2,265,000</u>	Less than 6 months
Total investments	\$ <u>10,873,987</u>	

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

The District has the following recurring fair value measurements as of June 30, 2016:

- STAR Ohio of \$8,608,987 is measured based on net asset value.
- Repurchase agreement of \$2,265,000 is measured at cost, which approximates fair value.

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

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 6: Deposits and Investments (continued)**

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

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAR Ohio	79.17%
Repurchase agreement	20.83%

#### **Note 7: Receivables**

Receivables at June 30, 2016 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables reported on the Statement of Net Position follows:

Governmental activities:	
Title VI-B IDEA	\$ 85,481
Title I	68,381
Casino receivable	79,311
Medicaid reimbursement	12,830
Miscellaneous state and federal grants	<u>16,441</u>
Total governmental activities	\$ <u>262,444</u>

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

#### **Note 8: Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.



# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

#### Note 8: Property Taxes (continued)

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, are levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received from telephone companies during calendar 2016 were levied after October 1, 2015, on the value as of December 31, 2015. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures, is no longer levied and collected.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Midview Local School District. The County Auditor periodically advances to the District its portion of the taxes. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	<u>2015 Second-Half Collections</u>		<u>2016 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 423,389,090	95.37%	\$ 436,210,710	94.66%
Public Utility Personal	<u>20,551,910</u>	<u>4.63%</u>	<u>24,585,670</u>	<u>5.34%</u>
	<u>\$ 443,941,000</u>	<u>100.00%</u>	<u>\$ 460,796,380</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ <u>57.46</u>		\$ <u>56.93</u>	

Accrued property taxes receivable includes real property, public utility property, and tangible personal taxes which became measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year fiscal year operations. The receivable is, therefore, offset by a credit to deferred inflow of resources for that portion not levied to finance current fiscal year operations. The late settlement and the amount available to the District as an advance at June 30, 2016 are recognized as revenue.

At June 30, 2016, \$1,897,496 was available as an advance to the general fund, \$190,441 for the permanent improvement fund, and \$63,779 for the Grafton Public Library fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 9: Interfund Transfers and Balances**

##### **A. Interfund Balances**

Interfund loans receivable/payable consisted of the following at June 30, 2016, as reported on the fund statement.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ <u>98,500</u>

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

##### **B. Interfund Transfers**

Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund statements.

	<u>Amount</u>
Transfers from general fund to:	
Permanent improvement fund	\$ 2,730,000
Other governmental funds	<u>40,303</u>
	\$ <u>2,770,303</u>

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

#### Note 10: Capital Assets

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

	Balance June 30, 2015	Additions	Disposals	Balance June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,236,608	\$ -	\$ -	\$ 2,236,608
Construction in progress	<u>385,913</u>	<u>15,005</u>	<u>(400,918)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,622,521</u>	<u>15,005</u>	<u>(400,918)</u>	<u>2,236,608</u>
Capital assets being depreciated:				
Land improvements	5,904,345	404,763	-	6,309,108
Buildings and improvements	53,086,908	12,642	-	53,099,550
Furniture and equipment	5,551,657	40,985	(98,780)	5,493,862
Vehicles	<u>3,679,690</u>	<u>279,051</u>	<u>(895,300)</u>	<u>3,063,441</u>
Total capital assets being depreciated	<u>68,222,600</u>	<u>737,441</u>	<u>(994,080)</u>	<u>67,965,961</u>
Less accumulated depreciation:				
Land improvements	(3,365,066)	(311,689)	-	(3,676,755)
Buildings and improvements	(18,460,097)	(1,339,523)	-	(19,799,620)
Furniture and equipment	(3,173,806)	(523,306)	57,097	(3,640,015)
Vehicles	<u>(2,360,314)</u>	<u>(143,293)</u>	<u>614,670</u>	<u>(1,888,937)</u>
Total accumulated depreciation	<u>(27,359,283)</u>	<u>(2,317,811)</u>	<u>671,767</u>	<u>(29,005,327)</u>
Total capital assets being depreciated, net	<u>40,863,317</u>	<u>(1,580,370)</u>	<u>(322,313)</u>	<u>38,960,634</u>
Governmental activities capital assets, net	\$ <u>43,485,838</u>	\$ <u>(1,565,365)</u>	\$ <u>(723,231)</u>	\$ <u>41,197,242</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 661,649	\$ -	\$ (9,823)	\$ 651,826
Vehicles	<u>24,972</u>	<u>-</u>	<u>(24,972)</u>	<u>-</u>
Total capital assets being depreciated	<u>686,621</u>	<u>-</u>	<u>(34,795)</u>	<u>651,826</u>
Less accumulated depreciation:				
Furniture and equipment	(375,377)	(31,137)	9,823	(396,691)
Vehicles	<u>(22,475)</u>	<u>-</u>	<u>22,475</u>	<u>-</u>
Total accumulated depreciation	<u>(397,852)</u>	<u>(31,137)</u>	<u>32,298</u>	<u>(396,691)</u>
Business-type activities capital assets, net	\$ <u>288,769</u>	\$ <u>(31,137)</u>	\$ <u>(2,497)</u>	\$ <u>255,135</u>

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 10: Capital Assets (continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular education	\$ 1,101,923
Special education	1,965
Vocational education	3,223
Other	67,400

Support services:

Instructional staff	140,940
Administration	6,744
Operations and maintenance - plant	770,717
Pupil transportation	125,914
Community Services	2,901
Extracurricular activities	<u>96,084</u>

Total \$ 2,317,811

#### **Note 11: Pension Plans**

##### **A. Net Pension Liability**

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

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 11: Pension Plans (continued)

##### A. Net Pension Liability (continued)

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 11: Pension Plans (continued)**

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The District's contractually required contribution to SERS was \$566,448 for fiscal year 2016. Of this amount, \$11,186 is reported as accrued pension.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 11: Pension Plans (continued)

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity 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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contributions to STRS was \$1,786,508 for fiscal year 2016. Of this amount, \$281,700 is reported as accrued pension.

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

#### Note 11: Pension Plans (continued)

#### *D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of net pension liability prior measurement date	0.13253700%	0.12018922%	
Proportion of net pension liability current measurement date	0.13014850%	0.11670191%	
Change in proportionate share	-0.00238850%	-0.00348731%	
Proportionate share of the net pension liability	\$ 7,426,399	\$ 32,252,993	\$ 39,679,392
Pension expense	\$ 435,420	\$ 1,260,312	\$ 1,695,732

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 119,578	\$ 1,470,329	\$ 1,589,907
District contributions subsequent to the measurement date	<u>566,448</u>	<u>1,786,508</u>	<u>2,352,956</u>
Total deferred outflows of resources	\$ <u>686,026</u>	\$ <u>3,256,837</u>	\$ <u>3,942,863</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 246,061	\$ 2,319,600	\$ 2,565,661
Changes in proportionate share and difference between District contributions and proportionate share of contributions	<u>110,512</u>	<u>825,320</u>	<u>935,832</u>
Total deferred inflows of resources	\$ <u>356,573</u>	\$ <u>3,144,920</u>	\$ <u>3,501,493</u>



# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 11: Pension Plans (continued)

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

The District reported \$2,352,956 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (124,665)	\$ (729,787)	\$ (854,452)
2018	(124,665)	(729,787)	(854,452)
2019	(125,231)	(729,787)	(855,018)
2020	<u>137,566</u>	<u>514,770</u>	<u>652,336</u>
Total	\$ <u>(236,995)</u>	\$ <u>(1,674,591)</u>	\$ <u>(1,911,586)</u>

##### *E. Actuarial Assumptions - SERS*

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

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 11: Pension Plans (continued)

##### E. Actuarial Assumptions - SERS (continued)

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

#### Note 11: Pension Plans (continued)

##### *E. Actuarial Assumptions - SERS (continued)*

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

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

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the net pension liability	\$ 10,297,748	\$ 7,426,399	\$ 5,008,488

##### *F. Actuarial Assumptions - STRS*

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

#### Note 11: Pension Plans (continued)

##### F. Actuarial Assumptions - STRS (continued)

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 44,801,842	\$ 32,252,993	\$ 21,641,073

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 11: Pension Plans (continued)**

##### **G. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2016, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

#### **Note 12: Post-Employment Benefits**

##### **A. School Employees Retirement System**

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$65,066.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$65,066, \$101,516, and \$70,672, respectively. The full amount has been contributed for fiscal years 2015 and 2014, while \$-0- has been funded for the year ended June 30, 2016. The unfunded amount at June 30, 2016 is included as accrued pension.

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 12: Post-Employment Benefits (continued)**

##### ***B. State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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 the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$-0-, \$-0-, and \$127,868 respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

#### **Note 13: Other Employee Benefits**

##### ***A. Compensated Absences***

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for 25 percent of the total sick leave accumulation, up to a maximum accumulation of 300 days for certified employees. For administrators, payment is made for 25 percent of the total sick leave accumulation, up to a maximum accumulation of 340 days. For classified employees, the payment is made for 25 percent of the first 100 days accumulated; 35 percent for days 101-250; and 50 percent for days 251-351. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 13: Other Employee Benefits (continued)**

##### ***B. Life Insurance***

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

##### ***C. Early Retirement Incentive***

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

The 2014-2015 installment of the Retirement Incentive Program was paid in January 2016 from the general fund.

There is no retirement incentive liability at June 30, 2016.

#### **Note 14: Risk Management**

##### ***A. Property and Liability***

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2016, the District has contracted with Schools of Ohio Risk Sharing Authority (Agent: CF Risk & Insurance LLC) for property and general liability insurance. Professional liability is provided by Schools of Ohio Risk Sharing Authority with a \$17,000,000 aggregate limit.

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

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

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 14: Risk Management (continued)**

##### ***B. Worker's Compensation***

For fiscal year 2016, the District participated in the Better Business Bureau of Central Ohio Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. The firm Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the GRP.

##### ***C. Medical***

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

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



# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

#### Note 15: Long-Term Liabilities

Changes in long-term debt activity for the year ended June 30, 2016 was as follows:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/16</u>	<u>Amounts Due in One Year</u>
Governmental activities:							
Certificates of participation	3.0% - 4.0%	11/02/12	\$ 21,175,000	\$ -	\$ 1,015,000	\$ 20,160,000	\$ 1,055,000
Premium on certificates of participation	n/a	11/02/12	259,894	-	16,243	243,651	-
GO Judgment bonds	4.97%	06/26/07	1,935,000	-	75,000	1,860,000	80,000
School facilities construction and improvement notes	3.25%	07/02/12	68,000	-	68,000	-	-
Capital leases payable	n/a	n/a	141,067	-	63,576	77,491	65,400
Net pension liability:							
SERS	n/a	n/a	6,125,494	605,407	-	6,730,901	-
STRS	n/a	n/a	29,234,177	3,018,816	-	32,252,993	-
Compensated absences	n/a	n/a	<u>1,121,450</u>	<u>459,414</u>	<u>392,160</u>	<u>1,188,704</u>	<u>415,638</u>
Total governmental activities			\$ <u>60,060,082</u>	\$ <u>4,083,637</u>	\$ <u>1,629,979</u>	\$ <u>62,513,740</u>	\$ <u>1,616,038</u>
Business-type activities:							
Net pension liability – SERS	n/a	n/a	\$ 582,128	\$ 113,370	\$ -	\$ 695,498	\$ -
Compensated absences	n/a	n/a	<u>50,628</u>	<u>10,559</u>	<u>8,217</u>	<u>52,970</u>	<u>24,204</u>
Total business-type activities			\$ <u>632,756</u>	\$ <u>123,929</u>	\$ <u>8,217</u>	\$ <u>748,468</u>	\$ <u>24,204</u>

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

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

On November 2, 2012, the District issued \$22,595,000 in certificates of participation (“series 2012 certificates”) for the purpose of advance refunding certificates of participation outstanding in order to take advantage of lower interest rates. The interest rates range from 3.0 percent to 4.0 percent. The series 2012 certificates were sold at a premium of \$308,623. Proceeds of \$22,434,891 and cash reserves of \$2,003,101 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the certificates of participation. As of June 30, 2016 the refunded debt has been fully redeemed.

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

#### Note 15: Long-Term Liabilities (continued)

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

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

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

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

*School Facilities Construction and Improvement Notes* – In July 2012, the District issued \$267,000 of taxable general obligation notes for the purposes of acquiring, constructing, improving, furnishing and equipping school facilities, including constructing and installing a new athletic field at Adelsberg Stadium. The annual principal and interest requirement of these notes is payable from the other grants fund.

Principal and interest requirements to retire the long-term debt outstanding at June 30, 2016 are as follows:

	Certificates of Participation		Governmental Activities GO Judgment Bonds		Totals	
	Principal	Interest	Principal	Interest		
2017	\$ 1,055,000	\$ 643,318	\$ 80,000	\$ 90,454	\$ 1,135,000	\$ 733,772
2018	1,100,000	605,718	85,000	86,354	1,185,000	692,072
2019	1,135,000	572,193	85,000	82,129	1,220,000	654,322
2020	1,165,000	531,868	90,000	77,780	1,255,000	609,648
2021	1,210,000	484,368	95,000	73,183	1,305,000	557,551
2022-2026	6,695,000	1,807,397	550,000	288,261	7,245,000	2,095,658
2027-2031	7,800,000	667,599	710,000	132,452	8,510,000	800,051
2032	-	-	165,000	4,100	165,000	4,100
Total	\$ <u>20,160,000</u>	\$ <u>5,312,461</u>	\$ <u>1,860,000</u>	\$ <u>834,713</u>	\$ <u>22,020,000</u>	\$ <u>6,147,174</u>

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### Note 16: Lease Obligations

The District has entered into capital leases for copier equipment. These leases meet the criteria of a capital lease in accordance with the "Leases" topic of FASB ASC. Principal payments for all capital leases during fiscal year 2016 totaled \$63,576. The payments were made from the general fund. The lease payments will be paid with current, available resources that have accumulated in the fund. These amounts represent the present value of the minimum lease payments at the inception of the lease:

	<u>Governmental Activities</u>
Assets:	
Furniture and equipment	\$ 336,998
Less: accumulated depreciation	<u>(235,899)</u>
Total	<u>\$ 101,099</u>

Amortization of capital leases is included in depreciation expense.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2016:

	<u>Capital Leases</u>
2017	\$ 66,758
2018	<u>12,138</u>
Total minimum lease payments	78,896
Less: amounts representing interest	<u>(1,405)</u>
Present value minimum capital lease payments	<u>\$ 77,491</u>

Rental expense related to operating leases for equipment totaled \$1,251 for the year ended June 30, 2016.

## Midview Local School District

### Notes to the Basic Financial Statements (continued)

#### For the Fiscal Year Ended June 30, 2016

---

#### **Note 17: Jointly Governed Organizations and Public Entity Risk Pool**

##### **A. Jointly Governed Organizations**

###### *Lake Erie Regional Council*

The Lake Erie Regional Council (“LERC”) is a jointly governed organization among ten school districts. LERC was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, natural gas consumption, driver education, food service, and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge (except for insurance). The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information is available from the Treasurer of the Educational Service Center of Lorain County, located at 1885 Lake Avenue, Elyria, Ohio 44035. During fiscal year 2016, the District paid \$3,308,921 (including insurance premiums) to LERC.

###### *Lorain County Joint Vocational School District*

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

###### *North Coast Council Ohio*

The North Coast Council Ohio (“NCCO”) is a jointly governed organization comprised of the Educational Service Center of Cuyahoga County, Educational Service Center of Lorain County and 24 school districts. NCCO was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Each of the governments of these districts supports NCCO based upon a per pupil charge, dependent upon the software package utilized. The NCCO assembly consists of a superintendent or designated representative from each participating district, and a representative from the fiscal agent. NCCO is governed by a board of directors chosen from the general membership of the NCCO assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Fiscal information for NCCO is available from the Treasurer of the ESC of Cuyahoga County (fiscal agent), located at 6393 Oaktree Blvd., Independence, Ohio 44131. During the year ended June 30, 2016, the District paid \$250,301 to NCCO for basic service charges.

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 17: Jointly Governed Organizations and Public Entity Risk Pool (continued)**

##### **A. Jointly Governed Organizations (continued)**

###### *Ohio Schools' Council Association*

The Ohio Schools' Council Association (the "Council") is a jointly governed organization among 203 school districts, educational service centers, joint vocational districts and Developmental Disabilities boards. The jointly governed organization was created for the purpose of saving money through volume purchases. Each member supports the Council by paying an annual participation fee. Each member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the "Council Board"). The Council Board is the policy making authority of the Council. The Council Board meets monthly September to June. The Council Board appoints the Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Council Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2016, the District paid \$46,357 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools' Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The District participates in the Council's prepaid natural gas program. This program allows school districts to purchase natural gas at reduced rates. Compass Energy had been selected as the natural gas supplier and program manager for the period April 1, 2013 through March 31, 2016. There are currently 151 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

##### **B. Public Entity Risk Pool**

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

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 18: Contingencies**

##### **A. Grants**

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

##### **B. Litigation**

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

##### **C. Foundation Funding**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year and thereafter, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

#### **Note 19: Fund Deficits**

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Funds</u>	<u>Deficit Fund Balance</u>
Nonmajor special revenue funds:	
Title VI-B special education IDEA	\$ 111,452
Title I	63,717
Classroom reduction	16,496
Nonmajor enterprise funds:	
Food service	320,214

The fund deficits in all funds are the result of the recognition of liabilities in accordance with general accepted accounting principles. Management is analyzing the operations of these funds to determine appropriate steps to eliminate the deficits.

# Midview Local School District

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2016

---

#### **Note 20: Set-Aside Calculations**

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

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

	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2015	\$ 915,771
Current Year Set-Aside Requirements	525,198
Qualifying Disbursements	<u>(281,393)</u>
Set-Aside Reserve Balance as of June 30, 2016	\$ <u>1,159,576</u>

The total reserve balance for the set asides at the end of the fiscal year was \$1,159,576.

#### **Note 21: Other Significant Commitments**

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

	<u>Encumbrances</u>
General fund	\$ 292,903
Permanent improvement fund	385,960
Other governmental funds	<u>3,813</u>
Total other significant commitments	\$ <u>682,676</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**



## Midview Local School District

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

### Last Three Fiscal Years

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

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

## Midview Local School District

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

### Last Three Fiscal Years

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

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

## Midview Local School District

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

### For the Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 566,448	\$ 511,225	\$ 533,316	\$ 543,081	\$ 522,491
Contributions in relation to the contractually required contribution	<u>(566,448)</u>	<u>(511,225)</u>	<u>(533,316)</u>	<u>(543,081)</u>	<u>(522,491)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered payroll	\$ 4,046,057	\$ 3,878,793	\$ 3,847,879	\$ 3,923,996	\$ 3,884,688
Contributions as a percentage of covered payroll	14.00%	13.18%	13.86%	13.84%	13.45%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 478,626	\$ 509,505	\$ 383,539	\$ 388,632	\$ 400,544
Contributions in relation to the contractually required contribution	<u>(478,626)</u>	<u>(509,505)</u>	<u>(383,539)</u>	<u>(388,632)</u>	<u>(400,544)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered payroll	\$ 3,807,685	\$ 3,762,962	\$ 3,897,754	\$ 3,957,556	\$ 3,750,412
Contributions as a percentage of covered payroll	12.57%	13.54%	9.84%	9.82%	10.68%

## Midview Local School District

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

### For the Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,786,508	\$ 1,693,897	\$ 1,634,471	\$ 1,639,207	\$ 1,659,905
Contributions in relation to the contractually required contribution	<u>(1,786,508)</u>	<u>(1,693,897)</u>	<u>(1,693,471)</u>	<u>(1,639,207)</u>	<u>(1,659,905)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered payroll	\$ 12,760,771	\$ 12,099,264	\$ 12,572,854	\$ 12,609,285	\$ 12,768,500
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	13.00%	13.00%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 1,611,310	\$ 1,568,506	\$ 1,548,979	\$ 1,400,929	\$ 1,363,876
Contributions in relation to the contractually required contribution	<u>(1,611,310)</u>	<u>(1,568,506)</u>	<u>(1,548,979)</u>	<u>(1,400,929)</u>	<u>(1,363,876)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered payroll	\$ 12,394,692	\$ 12,065,431	\$ 11,915,221	\$ 10,776,379	\$ 10,491,357
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%	13.00%

## **SUPPLEMENTARY INFORMATION**

**MIDVIEW LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<i>Child Nutrition Cluster:</i>			
(D),(E) School Breakfast Program	10.553	2016	\$ 105,420
(C),(D) National School Lunch Program - Food Donation	10.555	2016	57,603
(D),(E) National School Lunch Program	10.555	2016	423,658
<b>Total National School Lunch Program</b>			<u>481,261</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>			<u>586,681</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
Title I Grants to Local Educational Agencies	84.010	2015	64,476
Title I Grants to Local Educational Agencies	84.010	2016	335,214
<b>Total Title I Grants to Local Educational Agencies</b>			<u>399,690</u>
<i>Special Education Grant Cluster:</i>			
(F) Special Education_Grants to States	84.027	2015	95,923
(F) Special Education_Grants to States	84.027	2016	518,536
<b>Total Special Education _Grants to States</b>			<u>614,459</u>
(F) Special Education_Preschool Grants	84.173	2016	4,590
<b>Total Special Education Grant Cluster</b>			<u>619,049</u>
Improving Teacher Quality State Grants	84.367	2015	10,878
Improving Teacher Quality State Grants	84.367	2016	84,520
<b>Total Improving Teacher Quality State Grants</b>			<u>95,398</u>
<b>Total U.S. Department of Education</b>			<u>1,114,137</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,700,818</u>

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

- (A) OAKS did not assign pass through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Midview Local School District under programs of the federal government for fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected the operations of the Midview Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Midview Local School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Midview Local School District's basic financial statements and have issued our report thereon dated December 16, 2016.

***Internal Control Over Financial Reporting***

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

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

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

Board of Education  
Midview Local School District

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.  
December 16, 2016





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

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

To the Board of Education:

***Report on Compliance for the Major Federal Program***

We have audited the Midview Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Midview Local School District's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Midview Local School District's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

Board of Education  
Midview Local School District

***Opinion on the Major Federal Program***

In our opinion, the Midview Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

***Report on Internal Control Over Compliance***

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

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

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

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



Julian & Grube, Inc.  
December 16, 2016

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

**SCHEDULE OF FINDINGS  
UNIFORM GUIDANCE 2 CFR § 200.515  
JUNE 30, 2016**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Child Nutrition Cluster: School Breakfast Program (CFDA #10.553) and National School Lunch Program (CFDA#10.555)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**MIDVIEW LOCAL SCHOOL DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 23, 2017**